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Iraq orders attack on Iran after claiming jet raid on border guards

IRAQ'S Revolutionary Command Council yesterday ordered its armed forces to attack Iranian military targets after claiming Iranian jets had attacked Iraqi border forces.

IRAQI aircraft attacked Tehran international airport and nine other air bases, Baghdad Radio said. The High Command admitted the loss of a bomber and a fighter.

IRAN struck back with successful air attacks on two air bases, and shot down several Iraqi aircraft, President Bani-Sadr said on Tehran radio. Other reports from Iran said 200 Iraqi soldiers had been killed.

BOTH countries closed their airspace. Telecommunications with Iran were cut. The Tehran Government ordered a black-out.

IRANAIR cancelled all international flights until further notice. Internal flights to Tehran were diverted to Isfahan.

TEHRAN declared war zones in all its offshore waters. No merchant ships would be allowed to deliver cargo to Iraqi ports, and the Government would not accept responsibility if military communiques were violated, it said.

P. & O. cargo ship Strathfife, 17,350 tons, was hit by seven bullets while leaving the Iraqi port of Basrah for Japan—the first reported incident involving a British ship. No one was hurt.

THE war-risk rating committee of the Institute of London Underwriters said cargo insurance premiums on ships travelling to either country would rise by 300 per cent from today.

SPOT MARKET price for crude oil were steady on the Rotterdam market because of the worldwide supply glut. Oil industry executives said oil stocks are at record levels.

IN MOSCOW, Pravda accused the U.S. of complicity in the crisis. Mr. Tareq Aziz, an Iraqi special envoy, began talks with Soviet leaders.

IN WASHINGTON, the State Department said the U.S. would not become involved and denied instigating the Iraqi attack. Officials said the dispute was not connected with the hostage crisis.

UN Secretary-General Dr. Kurt Waldheim appealed for an end to the fighting and a negotiated settlement. He said the situation was fraught with danger and unpredictable consequences.

War in Gulf threatens oil supplies

BY OUR FOREIGN STAFF

IRAQ AND IRAN were last night locked in an undeclared war threatening the vital oil supply routes.

Following a day of rapidly increasing conflict between the two main military powers in the Gulf, Iran announced a blockade of Iraq.

A communique from the Iranian joint chiefs of staff declared all waterways near Iran's shores to be war zones. This would centre on the narrow Straits of Hormuz through which two-thirds of the free world's oil supplies pass.

Both sides blacked out their cities last night following air raids in which they claimed to have inflicted heavy casualties and damage on their opponents.

All air traffic to and from Baghdad and Tehran has been halted.

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Editorial Comment, Page 18
Iraq and Iran: Fears revived. Page 18

Both Moscow and Washington have so far stood aside from the conflict. The U.S. urged caution while the Soviet Union accused the Americans of setting the Iraqis and Iranians against each other.

In military action during the day, Iraq claimed to have bombed 10 military bases deep inside Iran including Tehran's Mebrabad international airport. Iraq's State radio said last night that three weeks of air, ground and sea hostility had grown into a full-scale war.

Mr. Abol Hassan Bani-Sadr, Iran's President, said Iranian warplanes had successfully attacked two Iraqi bases. He claimed in a broadcast statement that at least six Iraqi MiG fighters had been shot down.

Earlier, a statement by Iraq's ruling Revolutionary Command Council said Iraq had been forced to order its armed forces "to undertake deterrent military operations in response to Iran's grave aggressive actions against our armed forces and economic installations and waterways."

Iraq said this followed two days in which Iran had tried to block its only access to the sea—the Shatt-al-Arab waterway—by shelling Iraqi and foreign merchant ships.

Responding to the sudden Iraqi attack, Mr. Hojataleslam Mohammad Ali Khameneli, Iran's deputy Defence Minister, said Iran would give Iraq a bitter lesson.

Although the details of each sides's claims remained unconfirmed last night, the State Department in Washington agreed the conflict had intensified seriously involving intense air, sea and ground fighting.

Dr. Kurt Waldheim, the United Nations Secretary-General, appealed for restraint. Reports from Beirut said Mr. Yasir Arafat, leader of the Palestinian Liberation Organisation, was attempting to mediate.

The fighting represents the gravest threat to the future of Ayatollah Khomeini's theocratic Islamic State, because of the internal divisions the confrontation has provoked.

It also shows the intention of Mr. Saddam Hussein, the President of Iraq, to establish his country's supremacy in the Gulf.

As tension grew during the past 18 months, both sides have frequently called for the overthrow of the other's leaders. Until now, the conflict has centred on the Shatt-al-Arab waterway dividing Iran's Khuzestan province from Iraq's oilfields at Rumailah.

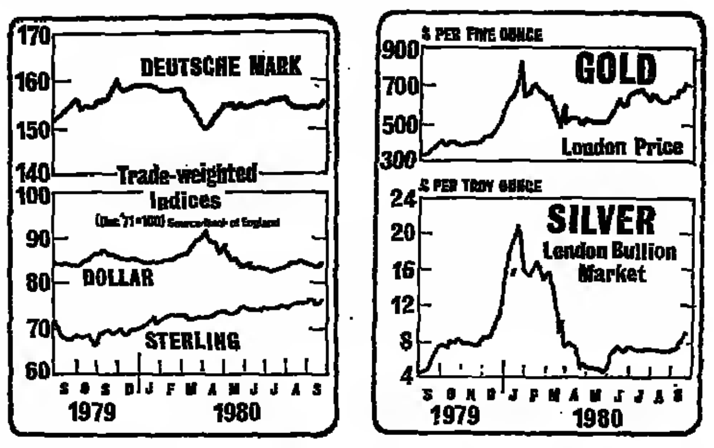
In 1975 Iraq conceded joint control over the waterway in exchange for a promise by the Shah of Iran to withdraw his support for Kurdish rebels fighting inside Iraq, who had become a threat to the Ba'ath regime in Baghdad.

Iraq's Soviet- and French-equipped army and air force are generally regarded as an efficient military machine. Only recently Iraq has set about building up its naval strength.

The Iranian military command, which was the strongest in the area under the Shah, has been weakened by purges, the execution of top generals and shortages of equipment and spares. However, Iran's navy has been relatively unaffected by the post-revolutionary turmoil.

News of the conflict alarmed the shipping world using the

Continued on Back Page



Gold and sterling up, equities weak on news of clashes

● Gold reacted to news of the Iran-Iraqi clashes by rising above the $700 per ounce level for the first time since *February*. It closed in London at $711.50 an ounce, up $34 from Friday. In early trading in New York it subsequently reached $718.

● Sterling rose on overall by more than 1 per cent against major currencies yesterday. Its trade-weighted index calculated by the Bank of England rose to 76.5 from 75.6 on Friday, back to the 5½ year high recorded earlier this month. The foreign exchange market believes that Britain's North Sea oil resources will protect it from possible disruption of oil supplies.

● The dollar was generally higher against al major currencies except the pound, which closed in London up 1.8 cents at $2.4035. The Deutsche Mark, yen and Swiss franc declined on fears that the Japanese and major Continental economies will suffer more than the U.S. from Middle East unrest.

The dollar closed at DM 1.8065 (DM 1.7960), its highest for a month, and Y214.75 (Y210.90). The Deutsche Mark was particularly weak against sterling, falling to its lowest for more than four years.

● Equities were weak in London, the FT 30 share index dropped 7.1 points to 487.3 Government securities also fell as hopes of lower interest rates receded. Gold shares, however, were a spectacular exception to the trend *with the FT gold shares* index rising an unprecedented 54 points to a record 558.9

On Wall Street the Dow Jones industrial average was however barely changed at mid-session.

● Other precious metals markets followed the rise in gold. Spot silver finished $2.50 per troy oz higher in London at $23.95, its highest since March. Platinum climbed $37 to $732, while copper led rises among base metals on the London Metal Exchange.

● On the London insurance market, underwriters are to increase insurance *premiums* on cargoes in ships bound to Iran by 300 per cent effective from today as a result of the increased war risk.

● The spot market in Europe for both crude oil and oil products showed no immediate reaction yesterday to the Middle East conflict, largely because of the high level of oil stocks.

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Commodity News, Page 29
Mining News, Page 22

£ in New York

—	Sept. 19	previous
Spot	$2.3838-3848	$2.3825-3835
1 month	0.98-0.93 dis.	0.96-0.91 dis
3 months	1.96-1.91 dis.	1.97-1.92 dis
12 months	2.70-2.55 dis.	2.90-2.80 dis

NEWS SUMMARY

GENERAL

Top Polish officials to stand trial

A number of senior Polish Communist Party officials and ministers are to stand trial on corruption charges. Some are thought to have been involved in trade with the West. Gdansk meeting, Page 2

Tiger kills again

Tiger which last month killed a keeper at Mr. John Aspinall's private zoo in Kent mauled to death a second keeper, Mr. Bob Wilson.

'Mole' caught

Mr. Tom Bingham, appointed by Mrs. Thatcher to find the source of Whitehall leaks, has identified one "mole," according to officials.

Petrol switch

Petrol industry set a September 1981 target date for the voluntary conversion of most petrol pumps from gallons to litres. Page 8

West Ham ban

West Ham United were banned from playing their next two home matches in European football at their ground after crowd trouble in Madrid last week.

Briefly . . .

Armed raiders escaped with £20,000 in a robbery on the M1.

Mrs. Thatcher arrived in Athens for a three-day official visit. Page 3

Torquay man was recovering after surgeons sewed back the end of his nose, bitten off in a fight.

Third suspected case of Legionnaire's disease was reported by Cleveland health authorities.

Two dissidents went on trial in Moscow charged with anti-Soviet activities.

Ark Royal began its final trip to a Scottish scrapyard.

Striking West Berlin railwaymen urged the West to take over the city's East German-run rail system. Page 3

BUSINESS

Gilts close 0.55 off

● GILTS: The Government Securities index fell 0.55 to 70.24. Page 30

● EQUITIES: The FT 30-share index closed 7.1 lower at 487.3. The Gold Mines index advanced 54.1 to 558.9. Page 30

● GOLD rose $34 to $711.5. Page 27

● STERLING closed 1.8 cents higher at $2.4035. Its trade-weighted index was 76.5 (75.6). DOLLAR also rose sharply to DM 1.8065 (DM 1.7960). Its index was 84.0 (83.5). Page 27

● WALL STREET was up 4.60 at 968.34 near the close. Page 28

● HONG KONG: turnover reached a record HK$773.94m (£65.52m) as the Hang Seng index went over 1,300 for the first time since 1973. Page 28

● PROCTER AND GAMBLE of the U.S. said it would report an after-tax loss of about $75m (£31.2m) if suspension of its Rely tampon—because of its possible link with toxic shock syndrome—becomes permanent.

● BENDIX, the diversified U.S. industrial concern, is to sell most of its forest products division in a deal worth about $435m (£181m). Page 24

● FODENS, the UK truck manufacturer, has received a take-over offer from Pacific Car and Foundry Company of Seattle. Back Page; News analysis, Page 9

● BP CHEMICALS is planning further cuts in staff and a move away from production of bulk chemicals. Back Page

● FISONS, the fertilisers, chemicals and pharmaceuticals group, reports first-half pre-tax profits down 29 per cent from £7.5m to £5.3m. Page 21; Lex, Back Page

● TARMAC, roadstone and civil engineering group, raised first-half pre-tax profits from £7.49m to £13.56m. Page 20; Lex, Back Page

North Sea delays cause depletion policy change

BY RAY DAFTER, ENERGY EDITOR

DELAYS IN developing North Sea oil fields have led the Government to drop its plans to holdback the start of two commercial projects.

The decision has come at the same time as further hold-ups in production from the Tartan Field, north-east of Peterhead, have emerged.

Though no formal announcement has been made, the British National Oil Corporation is understood to have been told that it can go ahead with the development plan for its Clyde Field, east of Dundee. This project, expected to cost more than $1bn (£420m), was in danger of being delayed for at least a year under a scheme for regulating North Sea oil production, announced by Mr. David Howell, the Energy Secretary, in July.

Mr. Howell said he was considering holding back the exploitation of Clyde and Phillips Petroleum's Toni-Thelma-Tiffany complex of fields in the T block, 150 miles north-east of Aberdeen, as part of an overall flexible depletion package. The Government is expected to allow the Phillips group also to press ahead with development, although a recent disappointing well, coupled with the need for further appraisal drilling means it could be next year at the earliest before plans are submitted to the Government.

BNOC had opposed the delaying tactics because it was particularly concerned about keeping together its field development team once its Beatrice Field in the Moray Firth was brought on stream in the second half of next year. BNOC wants to switch many of the specialist staff on the Beatrice project to the Clyde development programme.

Petrol by the litre, Page 8
BP Chemicals changes, Back Page

The corporation is expected to submit a development plan for Clyde in the middle of next year. The field, in block 30/17b, is thought to have between 100m and 125m barrels of recoverable reserves and to be capable of yielding up to 50,000 barrels a day from a fixed production platform.

But it is not known when the field will be brought on stream. This will be decided in negotiation with the Government. It seems likely that the Government will switch from deferring the development of specific projects, more towards regulating the timing and pace of their production rates.

In Whitehall it was pointed out last night that the Energy Department had always intended to be flexible in the application of depletion measures. The delay of Clyde and the T block projects had not been firmly fixed.

The reason for Mr. Howell's apparent change of heart lies in the uncertainty about the level of UK oil production over the next few years. The latest Energy Department "Brown Book" of offshore statistics shows that UK output this year is likely to be 13 per cent lower than expected as a result of bad weather, accidents and delays to field development projects.

Two examples of delayed projects are British Petroleum's Buchan Field, the Tartan north-east of Peterhead, which was due on stream in the third quarter of last year, and Texaco's bigger Tartan Field, which was due to be producing oil this spring.

Buchan is expected to be commissioned in November. It is understood that Texaco still hopes to start production from Tartan before the end of the year.

Massey in aid plea

By Robert Gibbens in Montreal

MASSEY - FERGUSON, the struggling Canadian farm equipment manufacturer, may not be able to continue operations unless the Canadian Government participates in its U.S.$600m (£251m) equity financing plan, the company has told its workforce.

Talking for the first time of possible shut-down, the management has written to its 7,000 Canadian employees asking them to contact their local Members of Parliament and impress on them the workforce's concern over the future of the company.

Massey said both the Federal and Ontario governments were actively considering whether they should become involved in the financing package. But they were worried by a lack of interest on the part of employees and the Canadian public.

Massey said it already had a commitment for about U.S.$300m towards the financing package, but "one condition is that a total U.S.$600m be committed before any equity

Continued on Back Page

BSC begins closure of Consett

BY ALAN PIKE

THE British Steel Corporation last night began decommissioning its Consett, County Durham, works after concluding that an independent consortium interested in buying the plant had failed to meet the corporation's requirements.

The corporation will cease maintaining the Consett blast-furnaces. As a result, these will cool and crack their brick linings.

BSC told the consortium to meet three conditions to keep its bid for the steelworks alive. First, to name the consortium members; secondly, to provide evidence of their credit-worthiness; and, thirdly, to undertake to meet from yesterday the costs of keeping the blast-furnaces in an operational condition, estimated to be £226,000 a week.

The corporation yesterday received a letter from the consortium responding to these conditions. But after considering it sontents BSC said these did not satisfy any of the three points and "the corporation has therefore decided to implement the Consett decommissioning programme immediately."

In spite of this latest blow to their hopes of reprieving Consett, members of the anonymous consortium, said to consist of about 11, predominantly Northern, companies, is not formally admitting defeat.

Mr. Keith Bill, a representative of the Iron and Steel Trades Confederation, the steel industry's biggest union, who has been acting as the consortium's spokesman, said its members would meet tomorrow.

If decommissioning damaged the blast-furnaces, the consortium would deduct repair costs from the amount it was prepared to bid.

The repeated failure of the consortium to identify its leading members, even at a meeting last week with Mr. Ian MacGregor, BSC chairman, and other senior corporation representatives, has severely undermined its credibility.

Glynwed, the West Midlands engineering group, yesterday issued a statement stressing that it had no association with the bid to take over Consett. Although the company's name had been linked with the consortium it had "no current or prospective interest in such membership."

Sirs attacks steel imports, Page 8
Editorial Comment, Page 18

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Aero. & General	510	+ 45
Barlow Rand	486	+ 39
Bundonian	68	+ 7
Fashion & General	265	+ 30
Johnson Matthey	277	+ 12
Kean & Scott	65	+ 32
Lonrho	110	+ 5
Nichols (Vimto)	265	+ 30
BP	388	+ 18
LASMO	735	+ 45
Ultramar	400	+ 18
Anglo-Amer. Corp.	870	+ 65
Anglo-Amer. Gold	£60	+ 9
Buffels	£22½	+ 3¼
Cons. Gold Fields	657	+ 32
E.R.G.O.	680	+ 89
G. M. of Kalgoorlie	587	+ 77
Impala Platinum	570	+ 40
Poseidon	367	+ 47
Randfontein	£46¼	+ 5¼
Western Deep	£36xr	+ 5¾
Western Holdings	£49½	+ 6
Zandpan	803	+ 101

FALLS

Treasury 12% 1984	£97⅞	— ⅜
Treasury 13¼% 2000-03	£101⅞	— 1
Beatson Clark	116	— 8
Beecham	154	— 3
Boots	245	— 6
Dowty	231	— 10
Emess	160	— 8
Fisons	205	— 7
Letraset	116	— 6
Meyer (Mntgue. L.)	94	— 6
Smiths Inds.	240	— 13
Sykes (H.)	28	— 7
Tarmac	282	— 15
Tate & Lyle	158	— 8
Tube Invs.	222	— 8
Turner & Newall	102	— 5
Westland	139	— 7

CONTENTS

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Polish opposition criticised as Schmidt rebukes U.S.

BY LESLIE COLITT IN BERLIN

THE Soviet Union and its allies have intensified their attacks on the opposition movement in Poland, while Chancellor Helmut Schmidt of West Germany has indirectly criticised the U.S. Administration for spreading "demagogic reports" about alleged Soviet military movements aimed at Poland.

Communist Party newspapers throughout Eastern Europe yesterday carried verbatim accounts of a leading article in the Soviet Communist Party newspaper Pravda attacking West German and American aid for "elements agitating among the Polish working people and trying to drive e wedge in the workers' movement, to bring the country off the course of Socialism."

East Germany and Czechoslovakia, which border on Poland, are leading the Warsaw Pact's criticism of "anti-Socialist" and "counter-revolutionary" forces in Poland. They have recalled the "events" of 1968 in Czechoslovakia, when Soviet-led forces invaded that country and put an end to the reform Communist leadership of Alexander Dubcek.

Chancellor Schmidt, speaking in West Berlin, said he regretted "demagogics reports" of Soviet forces menacing Poland by massing in East Germany and the western Soviet Union. Last week U.S. officials, including Mr. Edmund Muskie, the Secretary of State, drew attention to reports from the Pentagon's Defence Intelligence Agency and indicated that Moscow was putting military pressure on Poland.

Chancellor Schmidt called this an attempt to "pour oil on the fire," and said there was no reason for any dramatisation whatsoever." He said his Government had "no knowledge" of any troop movements in East Germany.

Western allied sources in Berlin confirm that their military missions in Potsdam, East Germany, have seen no signs of unusual military activity after the manoeuvres that ended in East Germany ten days ago.

East Germany's leading foreign affairs weekly, Horizont, has warned Poland that any search for a "middle way" between capitalism and Communism encourages the "counter-revolution to impudently raise its head." The publication said the "events" in Hungary in 1956 and in Czechoslovakia in 1968 taught the international Communist movement "important lessons."

The Prague Communist weekly, Tribuna, recalled Czechoslovakia in 1968 and said "anti-Socialist forces" again want to "mislead" the workers, destroy the "unity" of the working class, bring discredit upon the "leading role" of the party, "legalise" the opposition and thus create conditions for "political pluralism"

Leslie Colitt talks about the future with leaders of Poland's dissident KOR

'We Poles like to do things openly'

IN A tiny flat packed with members and supporters of KOR, the leading Polish opposition group, I asked what kind of Socialist system they would accept—and was wholly unprepared for the answer. "None," came the instant reply.

What does this mean for the prospect of a future compromise with a more reform-minded Polish Communist Party and, ultimately, with the Soviet Union? For the rest of the evening and days afterwards I received answers from the opposition which provide clues to the question of where Poland is heading.

"We often had reform Communism in the past," said one prominent writer, who is active in the KOR movement. "It was later called revisionism by the party and it didn't work."

KOR, the Social Self Defence Committee, was formed by intellectuals in 1976 to help workers sacked after taking part in the Radom and Ursus factory riots against food price rises. Its tireless educational activity, informing workers of the need to form independent trade unions and to curtail censorship—through underground publications such as Robotnik (The Worker)—created a bond with dissatisfied workers never before achieved by East European intellectuals.

One of KOR's founders, Jacek Kuron, has been appointed an adviser to the Gdansk strike leader, Lech Walesa, who is organising the first independent trade union in a Communist country.

Lech Walesa: organising free unions under Communism

"The problem is that the reformers in the Communist Party still want to preserve the one-party system," said another KOR member. "He and others in the opposition regard the independent trade union as only the first step towards a more pluralistic society.

"Besides, there is no Dubcek in sight here," offered another KOR supporter, who said the "system has no ideologists any more, only tanks."

The Polish opposition, consisting mainly of a few hundred KOR members of whom perhaps 30 are activists (aged chiefly between 19 and 35), is not a homogeneous group. The other human rights organisation, ROPCO, is highly factionalised and less influential. KOR members and supporters range from the Catholic-oriented Young Poland (YP) movement to Marxists who want to wring "bourgeois rights" from the Communist Party of Poland.

There are influential KOR members such as Bogdan Borusewicz, an historian, who was one of the founders of the free trade union movement in Gdansk. A few years ago it had only a handful of members including Mr. Walesa, the Lenin shipyard strike leader. Today, although Mr. Borusewicz is not in the presidium of the new union being organised and is not an adviser, he acts as a kind of "free electron" inside the Hotel Moraki in Gdansk, which is the headquarters of the new union.

Mr. Borusewicz was sentenced to three years' imprisonment in Gdansk in 1968 for distributing underground pamphlets and was granted amnesty after 18 months. He attended the Catholic University in Lublin, the most liberal in Poland, where he took part in an opposition group concealed as an historical society. In 1976, during the food riots, the students joined forces with workers which he says was the "turning point."

His activity in the underground was typical of the illegal work of many KOR members to this day. A fellow KOR member observed that "we Poles like to do things openly. But don't forget that during the second world war Poles had the best conspiratorial network in Europe. Some of this spirit is still alive."

Jacek Kuron: KOR founder, now advising Walesa

Although Mr. Borusewicz was associated with YP, which has pre-war roots, he rejected its hyper-nationalist aspects as a liberal. "We tolerate each other's differences," he noted, and acknowledged that most KOR members have links with the "leftist traditions" of Poland.

As for the kind of Socialism which might develop in Poland, he said he does not agree with "any system" which currently practices Socialism and is called Socialist.

"There must be pluralism in every way," he offered, saying that he does not "see a chance for a Socialist system in Eastern Europe to survive." He favours steps towards reforming the socialist system in Poland, however, by legally restricting censorship, for example. The Party, he explained, will continue to have a monopoly on some fields of activity while the new trade union will refrain from playing the role of a political opposition.

Jacek Kuron repeated his iron rule: "Don't burn party committees, create your own committees." He said the rulers have lost their "monopoly on decision making" and their authority within the population.

Mr. Kuron said he does not believe the Polish leadership will risk democratisation and admitted that forces could be unleashed which the authorities might no longer be able to harness. He was pessimistic that the Polish leaders could come up with a reform programme which would "satisfy the people."

Thus, he argued, the "opposition must initiate the movement toward democratisation." He acknowledged the importance of the Soviet Army in all KOR's calculations but said the Soviet Union would not "dare an armed intervention" as long as Poles do not overthrow the Polish Communist Party which is "obedient to Moscow."

The difficulty for Mr. Kuron is knowing how far KOR can press the badly weakened Communist Party without bringing about what all sides refer to as a "national disaster."

Leaders of free unions meet in Gdansk

WARSAW — Leaders of Poland's new independent uniens met in Gdansk yesterday to discuss organisatinn problems and how te divide the national movement among the regions.

A representative ef the movement et the Gdansk headquarters said delegates from 36 independent union gronps attended the meeting, the second since the Polish Gnvernment signed agreements nn free trade uninns three weeks ago.

The independent uninnists set up a national movement at their first meeting in Gdansk last Wednesday, and their leaders plan te register it in a Warsaw court late this week.

Yesterda'y meeting was expected tn confirm the final details ef the mevement's statutes as well as its division inte reginns.

The mnvement, led by Mr. Lech Walesa, the 37-year-old electrician whn spearheaded last mnnth's strikes in nnrthern Pnland, has agreed to adnpt the statute nf the independent Gdansk Trade union.

Mere than 3m nf Poland's 13m unien workers have so far opted tn join the national independent mnvement, but its establishment has been marked by uncertainty, confusinn and accusatinns of harassment.

The national Press has generally ignered the new movement's activities and National radio news programmes made no mentinn nf today's meeting in Gdansk.

The newspaper of the official trade union mnvement, Glns Pracy, acknowledged yesterday that the emergence ef twn parallel organisations had given rise to some misunderstanding and conflict.

The nld unions, which strikers said did not properly represent the interests of workers, meanwhile continued te revamp their nwn nrganisations.

Renter

Thatcher opens talks with Greek leaders

BY OUR ATHENS CORRESPONDENT

MRS. MARGARET THATCHER, the British Prima Ministar, arrived in Athena yesterday—the first British Head of Government to visit Greece since 1958—for three days of discussion with Greek leaders.

Mrs. Thatcber opened her talks with Mr. George Rallis, the Greek Prime Minister, abortly after her arrival. Tha talks will be continued today in the presence of Mr. Ioannis Bontos, the Minister of Coordination, Mr. Constantine Mitsotakis, the Foreign Minister, and Mr. Evangelos Averoff-Tossitsas, the Minister of Defence.

Mrs. Thatcher will later meet Mr. Andreas Papandreou, the leader of the main Opposition party, the Pan-Hellenic Socialist Movement (Pasok), which opposes both Greece's EEC entry and the return to NATO's military wing.

Mrs. Thatcber will alsa call on President Constantine Karamanlis.

Speaking en her arrival Mrs. Thatcbar said: "I hope that Mr. Rallis will bring me up to date over the question of renewed Greek participation in the military structure of NATO, to wbich we attacb the greatest importance."

Greece's return to the military wing of NATO has been blocked by Turkey because of the disputes over territorial rights in the Aegaan.

Mrs. Thatcher's talks with Mr. Rallis will also cover questions of East-West relations and detente.

George Rallis: talks cover wide area

Also to be reviewed will be the resumption of the intercommunal talks in Cyprus en which the two countries are known to beld similar views.

The economic talks will be based on a "memorandum of understanding" for industrial and economic co-operation signed between tha two countries last Novemher. It is understood Mrs. Thatcher will discuss in general terms a package deal under which Britain would supply 500,000 tons of North Sea nil and 2m tons of coal a year te Greece.

Two sides continue Cyprus negotiations

BY METIN MUNIR IN ANKARA

THE GREEK and Turkish Cypriots will tomorrow begin discussing the lifting of the Greek Cypriots' economic blockade on northern Cyprus.

Last week, when the two communities began their first talks in 16 months, they agreed that priority should be given to the return of up to 35,000 Greek Cypriot refugees to the Varosha area of Famagusta.

The Turkish side is now studying the proposals on the refugees given by the Greek Cypriots when the intercommunal talks resumed last week at the Ledra Palace hotel in the no-man's land between the twe communities.

Officials involved in tha talks said that both sides are now settling in for a long winter of negotiations, altheugh the general helief is that after the military take-over in Turkey tha new regime might press for an early settlement.

The talks are being held under the auspices of the United Nations. The Libyans galvanised the UN into action this summer by proposing that a Cyprus summit should be beld under Col. Gadaffy in Tripoli. The Libyans have been given land for a radio station in the Turkish-held part of Cyprus, and a Libyan delegation is now visiting southern Cyprus to negotiate a similar deal.

This week, apart from the economic blockade, the negotiators are also to discuss freeing communications and the movement of tourists. Next week they will move on to the thorny issue of a new constitution for the island.

Only then will they discuss the crucial question of adjusting the frontier of the Attila Line, established when the Turkisb Army seized more than a third of tha island in 1974.

Portugal battles with EEC over aid issue

BY JIMMY BURNS IN LISBON

PORTUGAL and EEC member states bave been pitched into e period of intense diplomatic haggling over the still-unresolved issue of aid ahead of Lisbon'a accession to tha Community.

The EEC Commission in Brussels early this summer agreed in principle thet Portugal sbould receive financial help from the EEC over tha next three years to boost the Portuguese economy in the period leading up to enlargement of the Community.

Tha Nine, however, have so far struggled without success to reach agreement on how much aid to offer Portugal. Several montha ago Lisbon asked for £260m (425m units of account), while the Commission aubseqnently proposed £213m (350m ua).

As it was clear at a Council of Ministera meeting in Brussels last Tuesday that thera was no prospect of an agreement, Foreign Ministers sbelved discusaion of the issue. But it is clear that a majority favnurs a sum lower than tha Commission proposed and much lower than Portugal requested.

As a result, it is thought that an eventual compromise may be in the regien of £122m (200mue). This may be seen in Lisbon as ungenerous, but it reflects among other things the pressure on the EEC bndget and the relnctance of some states, notably Britain and France, to make major new commitments of this kind on the aid front.

Both countries have argued instead that the greatest share of the aid possible should be in the form of loans from the European Investment Bank.

This view has been strongly challenged by Portuguese officials, both on financial and political grounds.

They want the largest share ef the aid to be in the form of a direct grant, in order to avoid aggravating Portugal's debt burden. Portugal has in the past had to pledge its gold reserves in colleteral for loans contracted from the EIB. The large proportion of its gold reserves ara now free.

Politically, the Portuguese Government feels that to clinch the pre-accession aid before the October 5 general election would be a major asset during a campaign that has stressed the success of Portugal's negotiations with the EEC.

In contrast to Spain, Portugal has now indicated that ber accession to the Community is possible according ta tha scheduled date of January 1983. Portuguese Ministers claim that they have received assurances in this respect from all member states.

The aid package under negotiation is aimed at backward areas of the Portuguese economy, including infrastructures, agriculture, and medium- and small-sized industries. The EEC has until now been in broad agreement that Portugal'a economic underdevelopment might accentuate the Community's heterogeneity and complicate decision-making after enlargement.

Since 1976 Portugal has received a total of 350m units of account in two major instalments from the European Investment Bank. The first was in the form of emergency credit, the second part of the financial protocol agreement signed with the EEC.

Major diplomatic efforts to secure additional aid have been spearheaded in recent weeks by Sr. Diogo Freitas do Amaral, the Portuguese Foreign Minister. Sr. Amaral has been using the strong links between his Christian Democrat party and Britain's Conservative party to impress on the UK Government the political advantages of a speedy solution to the problem.

BRUSSELS — Unemployment in the nine nations of the EEC hit 6.3 per cent of the workforce in August, a new high and a continuation of Western Europe's bleak employment picture, according to statistics released yesterday.
AP

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EUROPEAN NEWS

Kurdish youths arrested in Turkey

BY DAVID TONGE

OVER 500 Kurdish youths were arrested in the eastern Turkish town of Diyarbakir yesterday, following a protest against the Turkish armed forces. Residents of the working class area of Baglar who were questioned on the spot claimed that people had taken to the streets with banners calling for "an end to martial law" and "a curse on exploitation."

The local martial law authorities deny that any demonstration took place, though they say that banners were hung in the streets. But they reacted by sending a dozen tanks and an estimated 1,000 troops to comb the low houses and shops of the Baglar area, which lies behind Diyarbakir's donkey market and train-marshalling yards. Baglar was closed for two hours.

There have been no other reports of public demonstrations since the Generals seized power on September 12. On Sunday the local martial law authorities were given the right to shoot to kill those disobeying them.

Baglar residents said that the protest had been organised by a Kurdish group called Rizgari, the Kurdish word for liberation.

This group is one of 15 left-wing Kurdish groups which have been agitating against the firm grip which Ankara exercises over the Kurds.

The Kurds form about one-seventh of Turkey's 45m population and are concentrated in the country's mountainous south-east.

Many live under feudal conditions, being dominated by clan chiefs and landlords who rely on armed groups and, at times, on the central Government to impose their authority on the villagers.

Ankara has long been worried about trouble from Iraqi or Iranian Kurds spilling across its largely unpoliced borders. In 1925 there was a Kurdish uprising against the Government of the two-year-old Turkish republic.

Kurdish is not taught in schools and Kurdish books only circulate clandestinely. The Diyarbakir area has always been tightly controlled by the army.

Most recently it has been under martial law since December 1978, though the army has tightened its hold since the Generals seized power.

Ireland acts on petrol emergency

By Stewart Dalby in Dublin

THE IRISH Government yesterday announced emergency measures to ensure petrol supplies in the Dublin and surrounding areas for such special groups as doctors, nurses, undertakers, veterinary surgeons, taxi drivers, clergymen and handicapped drivers.

The action became necessary as the result of a two-week strike by 400 tanker drivers in five of the six main distribution companies. They refused to take out their vehicles because of a dispute about productivity and working conditions.

This has left only one main company, Esso, plus a much smaller company called Ola, distributing supplies.

Only Dublin and the surrounding boroughs have been affected, but petrol in the capital has been reduced to a trickle. Although buses are still running, the reduction in traffic is very noticeable. Mile-long queues have formed outside Esso stations.

The Government yesterday designated certain retail filling stations—roughly 12—as places where special categories of people could obtain petrol on showing identification.

It had been suggested that Mr. Charles Haughey, the Prime Minister, would call in the army to distribute supplies—there is plenty of petrol in the depots. The Government has refrained from making such a decision in case it provoked a country-wide strike.

EEC budget under scrutiny

BY JOHN WYLES IN BRUSSELS

THE COLD wind of fiscal stringency will blow through Brussels today when EEC bndget ministers will risk another clash with the European Parliament by making substantial cuts in European Commission bndget proposals for 1981.

France and West Germany are expected to lead the attack on the Commission's suggestions, which would boost EEC expenditure next year by 27.8 per cent to £12.632bn. With Government spending an electoral issue in both eountries, each is anxious to be seen battening down the financial hatches in Brussels.

Of additional importance, particularly to France, is that all savings made on the Commission's proposals amount to potential farm price increases which France wants available for its politically volatile farmers in advance of next April'a presidential elections.

The draft budget being considered today makes no provision for any sucb increases and consumes all but £346.5m of the Community's "own resources."

Even without a farm price increase next April the dynamic growth of agricultural spending means that some time next year the EEC will almost certainly hit the revenue ceiling imposed by 1 per cent of member states' VAT collections.

As a result, Ministers are bracing themselves for possibly the toughest budget drafting exercise in EEC history, with spending proposals in the regional and social policy areas nnder greatest threat.

The result of their efforts will be sent to the Parliament, whicb will make its own amendments in November. The Parliament and the Council will then either have to reacb a compromise in December, or risk a repeat of last year's confrontation when MEPs delayed adoption of the 1980 bndget until just two months ago.

Parliament's demands for a better balance in Community spending will almost certainly not be met. Some £8.19bn bas been allocated for farm price support and is therefore sacrosanct — as is virtually all of the £972m allocated for the UK's budget rebate.

France and Germany are believed to be looking for a 20 per cent cut in the Commission's proposed £945m spending on regional and social policy next year. Heavy reductions appear inevitable.

Today's sessioo will be Greece's first direct experieoce of an EEC Council of Ministers meeting in advance of its accession to tbe Community next January.

Berlin strike takes new turn

BY LESLIE COLITT IN BERLIN

THE STRIKE by West Berlin railwaymen, employed by East Germany's Reichsbahn railway system, took a wholy new turn yesterday with the strikers demanding that the Reichsbahn's West Berlin operations be placed under Western control.

A strike committee, representing some 600 West Berlin railway workers involved in the stoppage, said they were no longer prepared to work for the Reichsbahn, which has operated railway services in West Berlin under Allied jurisdiction since 1945.

Passenger rail services to and from West Berlin resumed yesterday after strikers evacuated a signal station, but freight trains, carrying about 20 per cent of West Berlin's imports and exports, were still not running.

The latest demand by the strikers—who are also calling for higher wages, better social conditions and a free trade union, "as in Poland"—could hasten a settlement of the six-day-old strike.

The Reichsbahn in East Berlin bas indicated it is no longer interested in subsidising the S-Bahn—the elevated commuter railway system in West Berlin—whicb it says lost DM140m last year. Only last week it announced the end of night time service on the S-Bahn wbich triggered the current strike of *railwaymen.*

The strikers have called on the West Berlin City Government to negotiate with the threo Western Allies in West Berlin and East Germany on placing the S-Bahn under a new Western ownership.

Steady fall in Swedish deliveries and orders

By William Dullforce in Stockholm

SWEDISH INDUSTRY'S deliveries and order books have been declining steadily this year, according to the July figures released by the Statistical Central Bureau. Sweden's industrial recovery, which started after the devaluation of the krona in 1977, reached a peak at the end of 1979.

The July order intake was some 15 per cent lower in volume than in July last year. The decline for the three months to the end of July was also 15 per cent.

Deliveries were 9 per cent higher in July than in July last year, but in the three months to the end of July they show an 8 per cent fall. The monthly figures have been distorted by the strikes and lockouts in May, when exports were blocked for almost three weeks.

The statistics bureau estimates that industrial output in the second quarter was 4 per cent lower than in the corresponding period last year. Production for the first half was 1 per cent higher than for the first half of 1979 but, after seasonal adjustment, was about 2 per cent below the level in the second half of last year.

The bureau's preliminary estimates of Swedish industrial companies' financial performance during the first half show an improvement of about 0.5 per cent in their profit margins (earnings after depreciation and financial charges in percentage of turnover), and a 13 per cent rise in sales. More than half the 230 companies supplying figures improved their margins.

The inquiry into companies' export and import expectations conducted by the bureau in August points to a Swedish trade deficit of SKr 8.9bn (£895m) this year. This, in turn, implies that trade during the last four months of the year should be almost in balance, as preliminary estimates for the first eight months showed a SKr 8.6bn deficit.

The Bureau's explanation is that companies anticipate a decline in domestic demand and therefore in imports, while deliveries held back by the strikes can swell the second half export figures.

OVERSEAS NEWS

Death toll rises as Indian floods force 3m to flee

BY K. K. SHARMA IN NEW DELHI

AN ESTIMATED 3m people have fled their homes in the coastal districts of Cuttack and Puri in Orissa State, Eastern India, where the Mahanidi River is in spate and has deluged the entire delta area.

Thousands are reported to be in waist-deep water trying to reach safer points. The death toll which reached 250, after flash floods over the weekend, is still rising.

The State Government has called out the army, and troops are taking motor boats to rescue thousands marooned in *hundreds* of villages, from where SOS messages were received at Bhubanesbwar, capital of Orissa, yesterday. Tha air force is helping by air dropping supplies.

The turbulent Mahanidi River has breached embankments in at least six points in the delta area, and many of its tributaries are also in spate. Damage to crops and the state's economy has not yet been assessed, but is bound to run into several billion rupees.

The iron ore mines in the hilly areas are still safe, but it is thought that exploratory work for oil in the Mahanadi Basin could be affected if the situation deteriorates further.

As the situation worsened in Orissa yesterday, reports also came of heavy rain in the states of Uttar Pradesh in the north and Andhra in the south. Th Ganges is rising fast and i threatening the holy city o Varanasi (Banaras), followin continuous torrential rain fo the past 48 hours in many part of Uttar Pradesh.

In Andhra, nearly 50 peopl have drowned in floods whic have affected many village where evacuation operations ar in progress.

India has had an unusuall good monsoon this year afte last year's disastrous drought and this is bound to improve th economy, particularly agricu tural production. Unfortunately the floods in the wake of th monsoon have caused havoc i some parts of the country.

People's Daily criticises Hua

BY TONY WALKER IN PEKING

THE People's *Daily*, *China's* Communist Party newspaper, has published an extraordinary article criticising the way in which Hua Guofeng became Chairman of the party.

While the article does not mention Hna by name, it implies he succeeded to tbe chairmanship by unorthodox means. The article can also be interpreted as further criticism of the late Chairman, Mao Tse-tung, who nominated Hua as his successor with the words: "With you in charge, I am at ease."

The criticism was carried in a long article published attacking one-man rule.

"Since the power of a leader is bestowed by the people, he has oo right to appoint the successor to the post whicb does not belong to him," the signed article said.

Diplomatic observers see the pointed criticism of the way in whicb Hua hecame Chairman as part of a continuing power struggle in the Chinese leadersbip to select a legitimate successor to Mao.

In 1976, on the death of Mao and Chou En-Lai, Hua was appointed Premier and Chairman. At the recent Natiooal People's Congress, he lost the Premiership, and may well have had bis grip on the Chairmanship loosened.

The article compared the practice of a ruler appointing his successor to the feudal behaviour of emperors.

"This system of power transfer puts the fate of the nation in the hands of one person

"The old emperor could make the wrong judgment in his choice, or the new emperor could change his outlook. When this happened, the whole nation was imperilled."

Hua Guofeng

This is the second time in about a month that historical analogies have been drawo in People's Daily articles between the operation of thc feudal courts and the circumstances that prevailed in the last years of Mao's life.

The article may be part of manoeuvring in the lead-up to a *National Party Congres* either later this year or earl next. The party congress wil consider a recommendatioı that the tenure of the part Chairman be strictly limited s that an individual does no become ruler for life, as wa the case with Mao.

The People's Daily corre spondent laid stress on th need for collective leadership "Leaders of a party centra committee should be those wh have the highest prestige in th whole party. The reality of th Chinese Communist Party i that the higbest prestige i accorded to a gronp of peopl rather than a single individual.'

Pointedly, tbe article com pared recent events in Chin unfavourably with the practic in the West, by implicatio strongly criticising Mao's actio in nominating his successor.

Criticising elements of Mao' rule, the article said: "Th most important lesson w sbould learn from the 10-yea catastrophe (the Cultural Revo lution) is that we sbould neve again have one-man rule."

One interpretatioo of th criticism of Mao aod, by impli catioo, Hua, is that part moderates want to make sur the Chalrman is not in a stron positioo to spearhead ao attac on the Rightest economi policies they arc now pursuing. A longer-term strategy may be to wrest the Chairmanship from Hua altogether.

FT correspondents assess the impact of the escalating conflict between two of the Gulf's oil giants

Attacks push Khomeini's Islamic Republic to the brink

HE ALL-OUT attacks on anian military installations ported to have begun on the ders of Iraqi President ddam Hussein represent the avest threat so far to e survival of Ayatollah homeini's 19-month-old Islamic epublic.

Awareness of the danger has ready led to a postponement, ssibly indefinitely, of the arliamentary debate on the te of the 52 American stages. It has also led resident Abol Hassan Bani-adr to again publicly confirm imself Commander-in-Chief of e country's armed forces, oosting his own authority at e expense of the hardline lerics who have called the tune r the last few months.

In turn there will be strong ressures within Iran to reverse e recent trend and strengthen e hand of the much-emoralized armed forces, uffering from repeated purges f politically-suspect officers and changes in the command structure.

These pressures will come from the President and his small circle of followers and from the minority within the clergy aware of the wider implications of Iran's continuing internal revolution.

Faced with what looks like the onset of full-scale war, this faction is certain to benefit from the wave of popular, nationalist sentiment which will sweep the country. Strengthening the traditional patriotism—which has been given little play since the revolution—is the ruling establishment's concept of Iran as the bastion of Shi'ite Islam in a Muslim world dominated by the rival Sunni sect.

Old fears revived in the Gulf, and Baghdad's strongman plays a risky game—Page 18

The fact that Iraq itself has a majority Shia population is only relevant as far as the strains this conflict may cause to the loyalties of the ordinary Iraqi soldier and the potent appeals that Baghdad knows Tehran can make to civil disorder behind the front lines.

Ayatollah Khomeini is likely to react to the Iraqi air attacks and the abrogation of the 1975 border agreement with characteristic fire and brimstone. Saddam Hussein was his unwilling host during the religious leader's 14 years' exile in the Iraqi city of Najaf and there is no love lost between the two men, with their opposing political visions.

The rivalry between the two countries for Gulf leadership is long standing. Apart from the fact that Iraq has profited from Iran's disorders to establish a clear lead, it is widely believed in Tehran that Baghdad is acting as an "agent of imperialism" in trying to bring down the clergy-led regime.

Ayatollah Khomeini (left) and President Abol Hassan Bani-Sadr, who now has a chance to assert himself over the Mullahs.

The paranoias of an insecure and jittery regime aside, Tehran has good grounds for suspecting Baghdad of these ambitions. Several hundred former army officers of the Shah led by a one-time commander of the Imperial ground forces are known to be based in Iraq, preparing for military operations.

Weapons, financial help and secure rear bases have been given to dissident Kurdish groups in Iran, frequent sabotage operations on oil pipelines in the south-western Khuzestan province have been launched with Iraqi help; two clandestine radio stations pour out hostile propaganda in Persian each evening against the Ayatollahs.

In response so far Tehran has done little beyond defending its border posts against military depredations and incursions. The help it has provided to dissident *Iraqi Shias* has, in practical terms, probably been minimal, largely because of the inability of the leadership to organise and implement such operations.

Nevertheless, when it comes to fighting a conventional military war of limited duration President Bani-Sadr and the key Ayatollas are in a better position than they could have dared to hope for—and for that they have their predecessor, the late Shah, to thank.

Iran is virtually self-sufficient in most types of ammunition for the ground forces and has a large stockpile for its air defence systems, supplied by the British. The lack of spare parts for its Chieftain tanks will have incapacitated a large proportion of their number, but there should still be at least 700 main-line battle tanks in fighting order.

The ability of the Iranian joint chiefs of staff to strengthen their capability is a different matter. Restoring the air force, on paper superior to that of Iraq, to full strength, would require an airlift of many weeks duration from the U.S. and the return of U.S. technicians. Khomeini can expect no help in that direction.

The call up of reservists over the weekend will have given a big psychological boost to the war footing Iran is putting itself on but it hardly necessary in military terms. Even in its run-down state, Iran still has an army of over 300,000 men.

Sadam Hussein's private hope must be that by striking a blow of this order deep into the heart of Iran he will instantly expose the pretensions of the quarrelling mullahs, the Islamic clergymen, to be actually running the country and that their system will collapse in favour of a military or neo-military regime more moderate in its domestic and international policies.

IRAQ ★★★	ESTIMATED FIGHTING POWER	IRAN
200,000	ARMY	120-150,000
2,100	TANKS	1,100
1,800	ARTILLERY	800
350	COMBAT AIRCRAFT	447
4,000	NAVY Personnel	30,000

War could bring world-wide oil shortage

BY RICHARD JOHNS

PERHAPS THE only factor for consolation at a time when the world's oil supplies are threatened by the escalating Iranian-Iraqi conflict is that stocks are at a record level, estimated last month at 5bn barrels or enough to satisfy demand for 100 days or more. Thus, there was no panic buying yesterday on the stock market.

Yet if only part of the output of the two combatant states is cut off for any considerable time it could have a grave effect on both availability and price. For both countries, oil is the economic life-blood, providing more than two-thirds of revenue and nearly all foreign exchange.

In the first half of this year Iraq is reckoned to have produced at the rate of 3.5m barrels a day (b/d) and Iran at 1.5m b/d, compared with output from the Gulf of some 18.5m b/d and a total by members of the Organisation of Petroleum Exporting Countries of 27m b/d or so.

The current worldwide surplus is generally estimated at up to 2.5m b/d. But with a number of OPEC members planning cuts in output anyway, the market could rapidly tighten if as little as 1.5m b/d in output was lost for any reason.

Of the two countries, Iran is much more vulnerable. The bulk of its exports of both crude oil and refined products is from the terminals of Bandar Mabshahr and Kharg Island at the head of the Gulf, both of which could be hit by Iraqi long-term artillery, quite apart from aircraft.

Iran's production capacity was rated recently at over 6m barrels a day. However, because of lack of maintenance and the failure to keep up the pressure of the fields since the revolution, it may now be no more than 3-3.5m b/d. Internal consumption is 700-800,000 b/d, and production of crude and products from the export-orientated Abadan refinery, (which has a capacity of 630,000 b/d) has been of a similar volume.

Revenue has hardly been sufficient to provide the foreign exchange for Iran's basic import requirements. With $5bn in assets frozen in U.S. banks, its useable reserves may only be enough to keep the country afloat for five or six months.

Iraq is a far more favourable position. About one-third of its capacity lies in the north of the country in the region of Kirkuk and Mosul. They are connected to the Mediterranean Sea by pipeline, with terminals in Sidon in Syria and Tripoli in the Lebanon. Their capacity was increased a few years ago to 1.2m-1.4m b/d.

The Iraqis also have the more recently constructed pipeline to Iskenderun in the south-east of Turkey, which could carry as much as 800,000 b/d.

Output from the south can also be *pumped northwards* under a "switch" system built up deliberately for strategic reasons, among them the possibility of a closure of the Gulf route.

Baghdad envoy in Moscow talks

By David Satter in Moscow

MR. TARIQ AZIZ, special envoy from Iraq, yesterday began talks with Soviet leaders in Moscow amid signs that the Soviet Union did not want to take sides in the intensifying conflict between Iran and Iraq.

The Soviet news agency Tass reported that Mr. Aziz held talks with Mr. Boris Ponomaryov, a Communist Party secretary, and Mr. Viktor Maltsev, the First Deputy Foreign Minister.

Mr. Aziz and the Soviet leaders were said to have discussed "topical questions" relating to the Middle East.

Iraq has been a Soviet ally since 1972 when the Soviet Union and Iraq signed a 15-year Friendship Treaty, but the Soviet Union has made a major effort to improve relations with Iran since the fall of the Shah and the worsening of U.S.-Iranian relations last year.

Reflecting an apparent Soviet reluctance to alienate either Iran or Iraq, the Soviet Communist Party newspaper Pravda yesterday avoided criticism of either country but accused the U.S. of setting the two Middle East neighbours against each other.

The newspaper said that the U.S. was employing the policy of "divide and rule" as part of a world-wide drive to establish its supremacy. "Washington is seeking to draw out the Middle East conflict, to split Iran from the Arabs, to set Iran against Iraq and Afghanistan," the newspaper said.

The visit of Mr. Azir, which appeared to have been arranged quickly and was not reported in the Soviet Press, was believed to be intended to give the Iraqis a chance to explain their position and argue against any Soviet aid to Iran.

Although the Soviets are believed to prefer a negotiated settlement to the dispute and may be prepared to work for one, Soviet Press comment months ago when the crisis first got underway, suggested that, if the situation became a great deal worse, the Soviet Union might be preparaed to tilt toward Iran.

Soviet reports on the recent border clashes have refrained from comment, but in April Tass accused Iraq of waging an "anti-Iranian campaign" and Soviet news reports emphasised Iran's position in the crisis and stressed Tehran's rejection of an Iraqi demand for the removal of Iranian troops from three strategically located islands in the Persian Gulf.

The Soviet Union has encountered problems in relations with both Iran and Iraq recently, but there is ample cause for restraint because, in the long run, each country is susceptible to Soviet influence.

Relations with Iraq have been harmed by Iraq's turn to the West in recent years for technology and the crackdown by the Iraqi regime on the Iraqi Communist party as well as by disagreements between Iraq and tha Soviet Union over the Israeli - Arab dispute and vehement Iraqi objections to the Soviet invasion of Afghanistan.

Lloyds plan 300% rise in premiums

BY JOHN MOORE

LONDON underwriters in insurance companies and at Lloyd's are planning to increase insurance premiums on cargoes in ships travelling to Iran by 300 per cent following the escalation of the border conflict between Iran and Iraq.

In London yesterday, the war risk rating committee of the Institute of London Underwriters, representing all sections of the UK marine insurance market, recommended to over 100 insurance concerns and Lloyd's, that the rates should be increased with effect from today.

The Institute had said that rates should be increased from 0.125 per cent of cargo values to 0.5 per cent on those cargoes going to Iran. The same rate is to apply to those cargoes on ships travelling to Iraq.

At Lloyd's yesterday, underwriters were already adjusting their rates to take into account the additional risk to hulls of ships.

Earlier this year, Lloyd's and London insurance companies quadrupled the war rate to 10p for each £100 of the ship's value for ships travelling to Iran, and charged an extra premium on ships travelling to Iraq, of 0.075 per cent.

U.S. ships were rated on individual application when seeking insurance on voyages to Iran because of the U.S. row with Iran over the hostages.

Now underwriters are charging a considerable premium over those revised rates.

Shipping in Gulf largely unaffected by hostilities

BY OUR SHIPPING CORRESPONDENT

A P. and O. cargo ship, the 17,350-ton Strathfife, was the first reported British casualty in the hostilities. It received seven bullet holes in its crew accommodation while sailing out of the Iraqi port of Basrah, but no one was hurt and the ship proceeded on its regular service between the Gulf and Japan.

Another P. and O. ship, the Gambbira, was to have entered the Iranian port of Bandar Khomeini but has been instructed to wait outside. Generally, however, shipping in the Gulf has not been affected to any great extent by the outbreak of hostilities.

Shatt al-Arab is situated at the top of the Gulf and the only ports that are immediately affected are Basrah in Iraq, and the oil ports of Abadan and Khorramshahr in Iran. General cargo traffic to these ports is limited and the bulk of the shipping movements is made up of oil tankers.

BP reported yesterday that its nearest tanker is 240 miles south and none of its ships are due in Iraq for some time. As yet, the main Iranian oil port of Kharg island does not seem to have been affected.

The General Council of British Shipping said yesterday that pending more information, UK ships are being advised not to pass through the Shatt al-Arab.

Crude spot prices hold steady

BY MARTIN DICKSON, ENERGY CORRESPONDENT

THE SPOT market for both crude oil and products showed no immediate reaction to the Iran-Iraq conflict yesterday. Prices remained steady in continued quiet trading.

Dealers attributed this largely to the world's high level of oil stocks, at present put at about 5bn barrels or 100 days' supply, which would provide a considerable cushion against any disruption of supplies.

The static nature of the market was reinforced by the unwillingness of some oil holders to sell until the situation in the Middle East became clearer.

Middle East light crude was quoted at $31.50-$32 a barrel. Products destined for North West Europe were little changed from Friday, with naphtha in the $277-$281 a tonne range; regular gasoline at $315-$318 a tonne, gas oil at $274-$283 a tonne, and heavy fuel oil at about $163-$166 a tonne.

U.S. urges restraint

BY DAVID BUCHAN IN WASHINGTON

THE U.S. yesterday urged Iran and Iraq to settle their differences peacefully. The State Department insisted the U.S. had no intention of getting involved, and rebutted Iranian charges that the U.S. had instigated Iraqi attack

The State Department stressed its belief that the Iran-Iraq dispute and the crisis over the captive American hostages were quite separate issues, but U.S. officials are privately concerned that the fighting may well distract the Tehran leadership's attention from the hostage issue.

Mr. Edmund Muskie, the Secretary of State, yesterday used his address to the UN General Assembly to re-assert that the U.S. was ready, with the help of the UN forum, to try to redress some of Iran's grievances. But the State Department in Washington pointedly refused to comment on the latest statement from the Speaker of Iran's parliament that the hostages would not be returned until the late Shah's alleged assets had been returned from the U.S.

The U.S. said it had not yet issued any warnings to U.S. shipping in the upper Gulf, or put its naval forces in the area on any higher alert.

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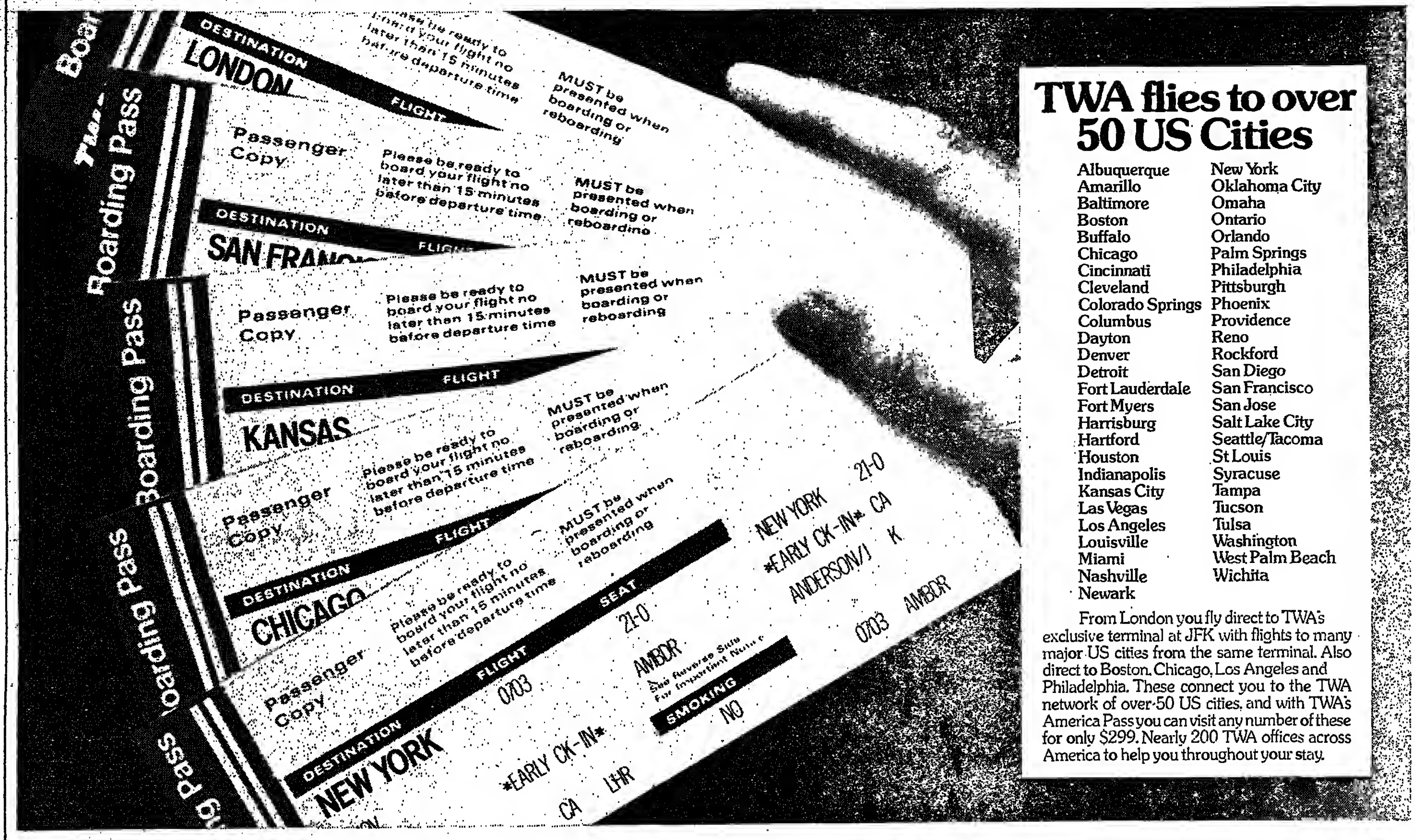

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Harrisburg	Salt Lake City
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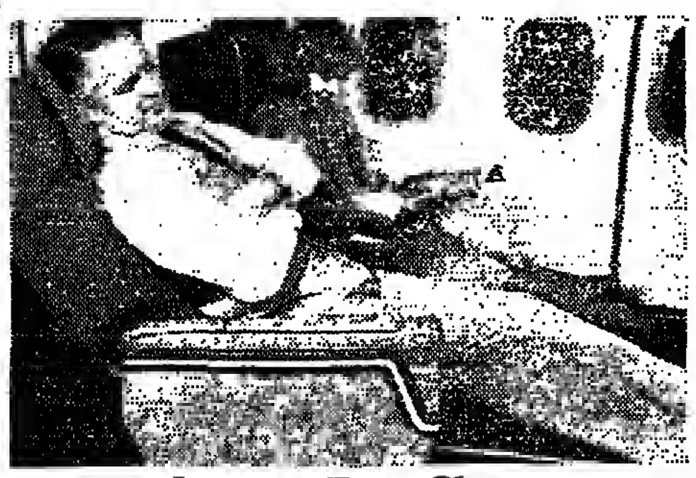
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AMERICAN NEWS

Jurek Martin in Washington reports on the campaign debate which Mr. Carter decided to miss

TV combatants avoid the pitfalls

OPINIONS were divided yesterday over who profited most from the initial television debate featuring presidential candidates in Baltimore on Sunday night—Ronald Reagan, the Republican, and John Anderson, the Independent, who took part, and President Jimmy Carter, the Democrat, who sat it out

Critically for the two participants, neither put a major foot wrong, as President Gerald Ford had four years ago when he tried to deny the existence of Soviet domination of Eastern Europe in his confrontation with Mr. Carter. Both generally stuck safely to their well-practised campaign scripts.

Both showed reasonable command of factual material, an important matter for Mr. Reagan, prone, as he is, to slips of the tongue when dealing with complex subjects. Both, while taking occasional digs at the absent Mr. Carter, appeared relaxed and in good humour. Mr. Anderson was sharper in his attack on Reagan than vice versa but never to the point of beat. Mr. Reagan's well-known amiability and skill in delivering one-line homilies was well to the fore.

Somewhat predictably, Washington commentators tended to view Mr. Carter as the loser for shunning the event. The President had insisted that no triangular debate should take place before he had had the opportunity to take on Mr. Reagan face-to-face. Since he considers the Anderson candidacy a threat to his own re-election, he is intent on doing nothing that would legitimise Mr. Anderson's pretensions to the White House.

The President's advisers have always believed that Mr. Carter would suffer damage from not taking part but that it would be short-lived. In the event, the first debate (and possibly the last) may have justified their expectations for Mr. Carter was not greatly pummelled in absentia. In addition the League of Women Voters, which staged the debate, dropped its original plan to have a symbolic empty chair on the platform to demonstrate the President's non-appearance. Reagan television commercials earlier in the day did use this device.

If there was a flaw in Mr. Reagan's performance it was probably that he spent much of his time preaching to his committed conservative audience rather than reaching out for middle ground support.

Certainly, on such thorny questions as abortion, he was uncompromising. "I've noticed that everyone who is for abortion has already been born," he remarked, a telling line though one which may not stand up to textual analysis.

On the economy, he again showed his knack for reducing the complex to everyday terms. Cutting Government spending was like cutting a child's pocket money. On the plight of the cities, he asked:

"Wouldn't it make a lot more sense if the Government let them keep their money in the first place?" On the church's role in politics: "No one in the country should be denied the right to express themselves."

The strong anti-Washington strain is, of course, a staple of Reagan conservatism. He repeated that the energy problem could essentially be solved if Government shackles were taken off industry, so could the plight of the cities, inflation and just about everything else that ails the country.

John Anderson, the independent candidate, and Ronald Reagan (Republican), in confident mood at the start of their debate.

Mr. Anderson's task was to give people reason to vote for him. He demonstrated once again that he is good in argument and not afraid to take controversial positions. He repeated, for example, his belief in a 50 cents a gallon tax on petrol and his opposition to a politically popular tax cut while inflation still raged.

Nor would be buy the Reagan hypothesis that Government was the root of all evil. He sought at times to widen the otherwise narrow political horizons of the debate by stressing the problems of the future—nationalism, proper use of natural resources and so on—whereas Mr. Reagan once again evoked America's past greatness and divine right to supremacy.

The ultimate jury, of course, is the public not the pundits. Two of the three major commercial television networks carried the debate live, the third, ABC, showed a movie, "Midnight Express." The overnight television ratings in New York, Chicago and Los Angeles revealed that between 42-45 per cent of those watching on Sunday night chose the debates, a similar percentage watched the film, and the rest something else. The number of television sets turned on was about average for a Sunday night in September. It was estimated that perhaps 50m-55m Americans watched Mr. Reagan and Mr. Anderson go at it, a respectable, though not staggering audience.

Baltimore's verdict: Carter was the loser

BY DAVID BUCHAN

IN BAWLAMER (Baltimore) they like a prize fight as much as anyone else in Merlin (Maryland), and the first television prezdenshal (presidential—getting the hang of it?) debate on Sunday night briefly focused the nation's attention on the city and its curious dialect.

It did not perhaps bring quite as much satisfaction to Baltimoreans as did the Oryuls' (Orioles—the city's well-known baseball team) beating off the Toronto Blue Jays over the weekend. But the sparring match between Mr. "Sugar Ronnie" Reagan and Mr. John Anderson "the Illinois express," set chins wagging.

Pugilism and psephology were mixed in equal proportions in the city's bars after the contest as people tried to work out who outpointed whom—there was no clear knock-out. The only agreement was that Jimmy Carter probably lost a little by not turning up to defend his title. General bar-room consensus was that the early rounds probably went to Mr. Reagan, who, more accustomed to the arena of television, swung looser at the start than Mr. Anderson, who stiffly quoted too many Princeton and Harvard studies.

Several times Mr. Reagan also used the disarming tactic of a clinch by sweetly referring to his debating opponent as "John." Each time, however, the independent candidate fought loose, tartly setting his distance with "Governor Reagan."

But Mr. Anderson, limbering up, eventually came out swinging on the issue of abortion and wound up saying he would like to have gone three further rounds with the Republican candidate. Mr. Reagan, perhaps tiring by the end of the bour, went on to automatic and gave his oft-repeated spiel about "this land being placed between two oceans for some divine purpose" and wanting to lead Americans to build "a shining city on a hill".

New York faces commuter revolt over rail services

BY PAUL BETTS IN NEW YORK

THE DISMAL conditions which hundreds of thousands of New York rail commuters face each day now risk developing into a full scale revolt, led by a normally well-mannered and quietly spoken middle-class population

Overcrowded and overheated carriages—as air conditioners inevitably break down and car windows are sealed—combined with regular equipment failures, causing long delays, are already provoking mass protests. Commuters are refusing to show their tickets, tearing them up in front of baffled conductors or quite simply refusing to pay

On one train last week my local "steambath special" from Mamaroneck to Manhattan's impressive Grand Central terminal, the conductor preferred to stay in his cubicle rather than face the angry crowds packed in the aisles.

The exasperation of most commuters has been described by some railway officials as "transcending credibility" — American officialese for "beyond belief." Passengers on the Conrail network—which serves the New Haven, Harlem and Hudson areas, including Mamaroneck—have been accused of "acting like gutter urchins when they get upset."

Mr. Joseph Spreng, the new general manager of Conrail's metropolitan region, was reported to have described commuters in the following unflattering terms: "These people are really senior management guys, very well educated and successful. But when their frustrations reach the limit, they are the same as those rock-throwing, Molotov-cocktail throwing guys down in the South Bronx."

Mr. Spreng protested that he had been misquoted, but commuters knew what he was talking about. When the Conrail trains express their way through the urban wasteland of the South Bronx, they are occasionally pelted with bottles and bricks, or bit by the odd bullet.

Mr. Spreng took over at Conrail earlier this summer after the former metropolitan region general manager—a certain Mr. Kenneth Smith — was apparently forced to step down in the wake of a crescendo of commuter protests and fierce local newspaper attacks labelling the network as "Conrail's railcon".

Conrail's problems date back to 1976 when the Government created the Consolidated Rail Corporation (or Conrail) out of the ashes of the bankrupt Penn Central company and five other north-eastern railways, pumping in $3.3bn of Federal funds.

But because about 90 per cent of Conrail's business is in freight, commuter services have inevitably been dragged down to second class status. While passenger volumes on the New Haven, Harlem and Hudson commuter lines have increased by nearly 20 per cent since 1976, the size of Conrail's fleet has remained virtually unchanged.

Conrail claims the restricted level of funding available to the railway from New York's Metropolitan Transport Authority has led to unsatisfactory maintenance, obsolescence of some equipment and insufficient cars. It has thus called for substantial additional funds from the Government, totalling about $900m on top of the $3.3bn already authorised to enable it to meet its targets in the next five years.

Dockers accept 34.6% increase over 3 years

BY DAVID LASCELLES IN NEW YORK

SMOOTH NEGOTIATION of a new three-year pay contract for 50,000 East Coast dockers in the U.S. has come a step closer with the approval at local level of a rise of 34.6 per cent over three years. However, dockers at two big ports, Philadelphia and Mobile, still oppose some details of the deal, such as pension rights and demarcation.

These will have to be ironed out before the present contracts expire on October 1. But a union spokesman said yesterday that he did not expect these problems to endanger the settlement as a whole.

Earlier, there had also been some local opposition in Houston, the large Gulf of Mexico port. This was resolved over the weekend.

Approval was foreshadowed when leaders of the International Longshoremen's Association agreed on the broad outline of a new contract with employers last May. Since then the details have been worked out at local level.

On most previous occasions, the ILA has struck to reinforce its demands. However, this time a combination of union politics and employers' eagerness to settle without labour disruption smoothed the path. The union was particularly concerned that a strike would lead to the diversion of work to Canadian ports at a time when Atlantic freight rate wars are cutting into profits.

The 34.6 per cent increase is above the 9 per cent a year wage guideline set by the Carter *Administration*. But it is in line with other recent industrial settlements where union leaders have argued that part of the increase is outside the guidelines.

The ILA spokesman said he could not comment on how the settlement squared with the guidelines.

Under the terms, dockers on the Atlantic and Gulf coasts will have their hourly rates raised from $10.40 to $14 an hour over three years. But there will also be a small increase in their pension contributions.

One item in the contract is a holiday on the birthday of Mr. Teddy Gleason, the ILA's 78-year-old president.

Mexico's food imports likely to cost $2bn

By William Chislett in Mexico City

THE DEPTH of Mexico's agricultural crisis was underlined at the weekend with an announcement by the Trade Ministry that this year's food imports will amount to 12.1m tonnes, compared with 3.7m tonnes last year. The figure is 73 per cent higher than originally forecast.

Sr. Hector Hernandez, Under-Secretary for Trade, said the cost of the imports would be about $2bn (£834m) — 16.6 per cent of the estimated $12bn revenue from oil and natural gas exports.

The crisis has coincided with Mexico's oil boom. The rural sector has long been the problem child of the Mexican economy, but this year the position is worse than ever.

Agricultural production, hit by drought, and decades of neglect, cannot keep up with the 2m-a-year rise in population.

Swiss reject U.S. protest at nuclear exports

BERN—Switzerland said yesterday it is prepared to discuss an international accord for more sensitive nuclear exports, but is not willing to start curbs unilaterally, at the request of the U.S.

The Swiss Foreign Ministry, commenting on reports that the U.S. had renewed protests over sales of Swiss equipment for a Pakistani uranium enrichment plant, said: "If the U.S. wants to expand the internationally agreed lists of sensitive equipment it must seek a new international agreement. We are ready and willing to take part in such talks."

The Ministry added that any new lists must apply to everyone.

The Swiss insist that the deliveries to Pakistan which have provoked Washington's protests, contained no item of sensitive nuclear goods

Japan car makers deny 'gentleman's' pact in U.S.

By Richard C. Hanson in Tokyo

IN SPITE of a general agreement that Japanese car exports to the U.S. will level off, or fall slightly, toward the end of this year, the Ministry of International Trade and Industry (MITI) and the two largest motor companies vigorously deny it represents anything like a UK-style gentleman's agreement on voluntary export restraints.

The issue arose last week after Mr. Rokusuke Tanaka, the MITI Minister, said in the U.S. that exports by the Japanese car makers in the last quarter this year will fall below those in the corresponding quarter of 1979.

This prediction, MITI says, was made after a poll of forecasts made by Toyota, Nissan and Honda. Reports, however, soon emerged that the U.S. Fair Trade Commission would look into the situation to determine whether the Japanese makers were "conspiring" to hold down shipments. This would violate U.S. anti-trust regulations.

MITI and the makers say the forecasts are based solely on conditions in the U.S. market. The reason exports may drop is related to price increases and stiffer U.S. competition.

Mr. Tanaka met the major Japanese exporters to the U.S. (Toyota, Nissan and Honda, which account for more than 80 per cent of cars shipped from Japan) to emphasise that such exports should be "prudent." This is also the catchphrase used when the UK and Japanese motor industries meet twice yearly to ensure that Japan does not take too large a market share in Britain.

The UK understanding represents, in effect, just the type of arrangement Japanese companies are careful to avoid, even the appearance of in the U.S.

The Japanese companies manage to jockey among themselves for bigger individual slices of the UK market, while regularly assuring the British motor industry association, SMMT, that they will export "prudently."

"I'm not even sure there is a gentlemen's agreement with the UK," comments one Japanese industry official.

MITI is urging that each motor company decide on its own policies of exporting to the U.S. The hope is that some signs of goodwill on the part of the companies will help avoid any further build-up of protectionist sentiment in the U.S. Congress.

Japanese for traders

INCREASING trade with Japan has prompted a Scottish University to introdnce evening classes in spoken Japanese.

The course, being run at Sterling University, is designed for those with no knowledge of the language and there is no reading or writing involved.

Paul Cheeseright examines U.S. Congress moves on foreign sales to urban transport authorities

'Buy American' obstacles mount for overseas bidders

FOREIGN COMPANIES seeking to sell equipment to the urban mass transport authorities in the U.S. have been handicapped since 1978. If Senator John Heinz of Pennsylvania has his way then the foreign companies would find the barriers to their sales almost insurmountable.

The Surface Transportation Act of 1978 provided that federal funds used to buy equipment could only be used if 51 per cent of it was U.S.-made. The equipment would, in any case, have to be assembled in the U.S. If the conditions were not met then the foreign price had to be at least 10 per cent less than the nearest competing U.S. bid to be accepted.

Senator Heinz wants the Buy America provision raised to 70 per cent. An amendment to this effect, attached to an enabling Bill providing $24.8bn federal funds to the Urban Mass Transport Administration, is now before the House of Representatives, having passed the Senate.

Meanwhile General Electric and Budd, the railway car manufacturer, are thought to be pressing for the 10 per cent contract price differential to be stiffened to 20 per cent.

The role of Budd in the whole matter is crucial. Budd is in Senator Heinz's state, and it is widely assumed that the group's urging prompted him to sponsor the amendment. It is the only remaining railway car manufacturer left in the U.S., now that Rohr, Pullman Standard and a Boeing unit have fallen by the wayside.

But Budd, although gearing up its production, has been missing local contracts. Railway car contracts for the Washington mass transit system were won by Breda of Italy. Kawasaki of Japan won them for systems in Cleveland and in Philadelphia, Budd's home town.

The only UK railway car manufacturer for mass transit systems is Metro-Cammell, the Laird group subsidiary. The company has ambitions to enter the U.S. market, but would be unable to do so without very heavy use of U.S. sub-contractors.

Other UK companies like GEC's electric power subsidiaries and, to a lesser extent, Westinghouse Brake and Signal would face severe problems by the enactment of the Heinz amendment. The GEC companies have been examining the possibility of setting up assembly plants in the U.S. but are unlikely to do so if the local content provision is raised to 70 per cent.

Such reluctance defeats the object of the Heinz amendment which aims to encourage the establishment of more manufacturing units in the U.S.

Indeed, some European manufacturers doubt whether the planned expansion of mass transit systems in the U.S. can be achieved without considerable foreign participation. Transit authorities in the U.S. have already expressed their opposition to the Heinz amendment in conversations with European manufacturers.

These authorities are anxious to preserve the bidding competition which arises from active foreign participation. They want the flexibility of choice which comes from having a number of suppliers.

And the Carter Administration is thought to be against the Heinz amendment, considering the building of barriers around the local industry to be inflationary.

The UK Government and the EEC are believed to have sought to impress the inflationary argument on the Carter Administration in protest notes. Both, in any case, consider the matter to be grossly protectionist.

Complacency and competition cited as culprits in poor export performance

BY ANDREW TAYLOR

INFERIOR MARKETING techniques, too little attention to local design needs, failure to meet delivary requirements and unfair overseas competition are factors often cited as reasons for the unsatisfactory export performance of some of Britain's more prominent industries.

Last week'a report from the National Economic Development Office (NEDO) on the UK building materials industry sought to unravel soma of the problems and weaknesses of British management in export markets.

Compiled by the Building and Civil Engineering economic development committees, the report painted a familiar picture of an industry that has perhaps been too complacent but which has also suffered from cut-price competition and restrictive trade barriers operated by hoth developed and developing nations.

Last year UK imports of building materials rose hy just over 23 per cent to £1.76bn while exports rose by only 3.2 per cent to £1.18bn—a trading deficit of £581m.

The widening of the trade gap last year—after several years during which huilding materials exports rose faster than imports—reflects more than just the impact of a strong pound.

The report estimates that just under half of last year's import hill — £875m worth — was accounted for by raw materials not generally available in this country. A further £200m was prodncts that are periodically in short supply.

Of the remainder, about £200m was thought to have been in goods generally considered to be of superior quality to those prodnced domestically. A further £50m was acconnted for by products that were competitive on price bnt inferior in quality to British goods.

What the report cannot show, however, is the full exteot of "hidden subsidies" believed to have heen made available to overseas rivals which enable them to undercut prices in export markets.

Last week's NEDO report said: "There is great concern over tha use of standards in statutory regulations by many countries as trade barriers, particularly as neither British Standards nor Agreement Cartificates are generally used in this manner in the UK. The situation is especially serious for potential UK exporters to West Germany and France."

The use of product standards regulations as effective trade barriers is of particular concern to manufacturers seeking to aell to EEC countries, which account for about a third of British exports of huilding materials.

Particularly annoying to UK manufacturers is that, not only do they have to comply with ever-varying product legislation, they must also prove they are doing so by having their products tested in the importing country—a costly and time-consuming exercise.

The NEDO report has recommended that Britain should consider "introducing statutory British standards to strengthen the UK's bargaining power in opposing foreign barriera to trade."

It would be tempting to lay all the industry's ills at the feet of unfair overseas competition, with the dumping of cut-price goods from low-wage economies another frequent complaint of Britisb building material manufacturers. The NEDO report, bowever, makes it clear that home producers must also bear some of the blame for a less than satisfactory export performance.

It cites the failure to market goods adequately or to take proper account of lecal needs as two areas where producers could make improvements.

It says: "Material producers' designers rarely travel abroad and so it is hardly surprising if a prodnct designed for the UK market is found to he unable to withstand the rigours of the climate, the unskilled construction worker or even the journey."

Delivery times are another source of concern. The report says that, while small and medium sized companies have "performed incredible feats" to meet delivery requirements "foreign competitors often do even better as they appear to he more willing to hold stocks, both in their home countries and in overseas markets."

But it was on the question of design that the NEDO report was perhaps most critical. "There is growing evidence that the UK is being outstripped by competitors in many industries who have recognised the advantage of good product design.

The principal advantage to manufacturers of technically advanced designs is that these can place products above price considerations.

Clearly the domestic industry bas grounds for grievances over its treatment in some overseas countries hut equally some of its weaknesses are of its own making.

Washington in Tokyo air agreement

TOKYO—The U.S. and Japan reached a new air traffic agreement that resolves one dispnte but leaves several major points of contention for future talks.

The hig winner in the pact was Continental Air Micronesia, a venture controlled by Continental Airlines that serves Guam, and the Marianas and other islands in the western Pacific Ocean.

Continental has been manoeuvring for two years to increase its flights between Saipan and Japan. The new pact provides for a sharp increase in Continental's Saipan-Japan flights. Moreover, an eventual result of the pact could be Continental service between Nagoya, Japan and Saipan—currently the airline is allowed in Japan to serve only Tokyo'a Narita airport.

The agreement is also expected to extinguish a U.S. threat to retaliate against Japan Air Lines, which is partly owned by the Japanese Government, if Japan continued to deny Continental's reqnests to increase its flights.

On the broader aviation questions dividing the U.S. and Japan, however, the negotiators agreed only to schedule further discussions within the next few months.

AP-DJ

Thomson-CSF wins £75m Iraq broadcasting deal

BY TERRY DODSWORTH IN PARIS

THOMSON-CSF, THE French electrical and electronics group, has overcome strong international competition to win a FFr 750m (£75m) order to set up a radio broadcasting system in Iraq.

The deal underlines the strong and growing links between French companies and Iraq, now one of France's largest oil suppliers. Thomson itself has benefited greatly from these contacts, notably with a similar order for television network equipment, and, it is believed, with a contract to establish an electronics and communications manufacturing industry in Iraq.

Although this last deal has never heen confirmed by the French company, it has been widaly rumoured that Thomson was able to take the lead over its British rival Plessey in negotiations because it could accept better liability terms.

Some two months ago, the Iraqis also banded a FFr 600m order to Fives-Cail Babcock, a French plant construction company to build a large-cement plant. This deal also came after other similar agreements with the Babcock Fives gronp which owns Fives-Cail.

The radio contract to Thomaon is designed to give Iraq a powerful system based on hoth short- and medium-wave broadcasting. This is to consist of one short-wava centre with 16,500 kW transmitters and three 200 kW medium-wave centres.

French and Japanese tool makers in joint venture

BY OUR PARIS STAFF

TWO OF the largest machine tool companies in France and Japan, H. Ernault-Somua (HES) and Toyoda Machine Works are linking up to form a joint company for the development and manufacturing of common products.

The deal marks a clear attempt by both companies to increase their impact on international markets while reducing costs and strengthening their product ranges. As an initial aim, the joint company, HES-Toyoda, is aiming to unveil an advanced electronic milling machine at the Hanover Fair next year.

For the Japanese group, the agreement has also been conceived as a way of giving it a foothold in Europe, where the company clearly fears protectionist action because of the depression in the industry.

Mr. Shigemitsu Asai, chairman of Toyoda, said in Paris that his company prefers this arrangement to trying to make a solitary attack on the European market.

The agreement for the French company forms a significant part of its plans to pull back into profits following heavy losses in recent years which culminated in a FFr 99m (£9.9m) deficit in 1979. HES has recently been put back on a sound financial footing by its parent, Empain-Schneider, but it is searching for new products and export markets.

Apart from the research aspects of the combined company, the agreement will mainly give HES access to Toyoda's machining centre products. At present about 80 per cent of HES's FFr 411m turnover lies in turning equipment, but it is seeking to expand its milling products side to at least 30 per cent of the business by 1982.

At the same time, the company bopes to export more than half of the new machining centre equipment which it will be making under the accord. France is a big importer in this sector at present, lagging well behind U.S., Japanese and West German producers.

Toyoda, 30 per cent owned by the Toyota Motor group, aims next year to expand its machining centre ootput from 350 units to 400, while stepping up exports from the current 20 per cent level.

UK NEWS

Sirs attacks steel imports

BY ALAN PIKE

THE PUBLIC and private sectors of the British steel industry are doomed unless action is taken to reduce the level of imports from Europe, the largest British steel union has told Viscount Etienne Davignon, the EEC Industry Commissioner.

Feelings that Britain was becoming the "European dustbin" for excess production elsewhere in the EEC were creating a groundswell for British withdrawal from the Community even among pro-marketeers, Mr. Bill Sirs, general secretary of the Iron and Steel Trades Confederation, says in a letter to Viscount Davignon.

The ISTC's intervention comes as Viscount Davignon is making urgent efforts to maintain measures to restrain European steel output at a time of severely declining demand. He has failed to persuade Eurofer — the organisation encompassing the majority of EEC steelmakers—to accept further output cuts for the final quarter of the year. The EEC Commission now plan a direct approach to major companies.

Mr. Sirs says in his letter to Viscount Davignon that he is not surprised the Commission is having difficulty securing German and Italian agreement to further voluntary production cuts.

In the past two years the Germans and Italians had repeatedly been among countries which overproduced, "leaving the United Kingdom to face up to the excesses of imports from Europe, quite often at a much lower price than that operating in this country."

This had resulted in both public and private sectors of the British industry having to face competition which was "quite unfair due to the subsidies on normal commercial activities being received by the rest of Europe."

As a result, excellent British plant was being closed down, while in Italy, Germany and elsewhere capacity was being increased purely and simply for the export of steel.

Mr. Sirs' concern about European over-production, with Britain at the receiving end because of the strength of the pound, is widely supported on both sides of the steel industry.

Today, Mr. Ian MacGregor, chairman of the British Steel Corporation, will meet Sir Keith Joseph, Industry Secretary, and review the current state of the corporations' financial crisis.

BSC is heading for another year of certain and severe loss —in June Sir Keith accepted that additional financial support for BSC would be needed in the current financial year, and early action on this is likely.

Equality investigation

THE EQUAL Opportunities Commission is to conduct a formal investigation into the effects which the different retirement ages of men and women had on recent redundancy payments at the British Steel Corporation's Shotton works.

Some Shotton employees alleged that they had received discriminatory redundancy payments and the Commission said yesterday that it had "given them general advice."

The inquiry's terms of reference will be to investigate the effect of different retirement ages for men and women on the redundancy provisions — statutory or otherwise — at Shotton and "the promotion of equality of opportunity between men and women generally in relation to such matters."

The Commission is not alleging that BSC has been guilty of unlawful discrimination — retirement ages are not included in the Sex Discrimination or Equal Pay Act.

"We are engaged in an ambitious programme to reduce costs and thus increase our relative defence effort," he said at a meeting of the Conservative Bow Group in London.

Litre sales of petrol to start next year

By Our Consumer Affairs Correspondent

THE TARGET date for the voluntary conversion of most petrol pumps from gallons to litres is to be the autumn of next year, the petrol industry announced yesterday.

Most of the country's 28,000 petrol stations are expected to begin switching to metric measures from September, with the conversion programme completed by the end of 1981.

Although the decision to convert voluntarily was taken last year, the industry has only just finalised the details. The Government recently published the necessary legislation to enable petrol pumps to display dual prices.

The Institute of Petroleum, which has been co-ordinating the changeover, said yesterday that it was being carried out in two stages.

The first stage, which has just started, was for fitters throughout the country to modify pumps. Stage two would start next September when the modified pumps would be changed to metric operation.

Some petrol stations, with old equipment, may be forced to switch to metric measures earlier.

National Savings net inflow £22m

SALES OF index-linked retirement certificates were the biggest contributor to National Savings receipts in August. Net sales after repayments were £30.3m, compared with a net inflow for all National Savings of £22.4m.

The NS Bank investment account showed a net inflow for the second consecutive month, £5.7m, reflecting the current advantage which the 15 per cent rate of return has over some comparable facilities. Premium savings bond sales showed a net inflow of £4.8m in the month.

There was a net inflow of £14m in NS Bank ordinary accounts. Total August receipts were £302.2m and repayments £202.5m, both figures including accrued interest. The total funds are £13.89bn.

Sir Brian to retire

SIR BRIAN MORTON, chairman of Harland and Wolff, the Government-owned Belfast shipbuilders, is to retire at the end of next month. He is 68 and has held the position for five years. The company had work until 1983 and was stronger than many other British shipyards, he said.

Kraft modernising

KRAFT FOODS of the UK is spending £2.5m on improving its edible oils refinery at Trafford Park in Manchester. Work has started on replacing its refining and bleaching machinery and will be completed in January, 1982. The plant employs 550 people.

Wildlife purchases

THE World Wildlife Fund in Britain raised almost as much for local conservation projects in the first half of 1980 as it did during the whole of 1979. Figures released yesterday show that more than £510,000 has been spent this year, mainly to buy stretches of wetland, woodland, marsh, and water meadow.

Ceramics show

A TRADE show involving more than 250 companies began yesterday at the Bingley Hall in Stafford. It is organised by the British Ceramics Plant and Machinery Manufacturers' Association, and has 100 exhibitors from 14 countries.

War games boom

A DERBYSHIRE pyrotechnics company, a manufacturer of dummy ammunition used in military exercises, plans to expand its 200-strong workforce because of a boom in international sales. Haley and Weller, of Draycott near Long Eaton, wants to take on 50 more workers and extend its Wilne Mill factory.

Thatcher worried over tax warning

BY RICHARD EVANS, LOBBY EDITOR

THE PRIME MINISTER has mixed feelings about the warning by Mr. John Nott, the Secretary for Trade, that the Government might have to raise taxes next year. Mrs. Thatcher fears this would create divisions in the Cabinet and the Conservative Party.

Mr. Nott's warning, given in a television interview on Sunday, is regarded by Mrs. Thatcher as a powerful illustration of Government determination to curb public sector costs rather than an indication of ministerial intentions.

The Premier, who started a visit to Greece yesterday, is more determined than ever to see public expenditure controlled and the public borrowing targets met.

Sir Geoffrey Howe, Chancellor of the Exchequer, told the Cabinet last week that there was no prospect of further cuts in public spending programmes for the current financial year, but there are signs that he will propose further economies when the targets for next year are examined by the Cabinet in the autumn.

As Mr. Nott confirmed, the Government is determined to hold down public sector pay this winter, to single figures if possible. Economic ministers have the full support of Mrs. Thatcher.

While increases in taxes will remain a technical alternative to controlling public sector costs, the Prime Minister appreciates the rows that would break out in the Government if either direct or indirect taxes were increased.

Higher direct taxes would be widely regarded as a complete reversal of the incentive formula on which the Government came to power.

In addition, a powerful group of senior Ministers would oppose higher indirect taxes at a time of economic depression.

There was no consultation between Mr. Nott and Mrs. Thatcher before the Minister made his remarks, and the assumption is he intended simply to highlight the dilemma the Government would face if it failed to meet its PSBR targets.

Shore joins Labour leadership contest

By Elinor Goodman

Mr. Peter Shore

MR. PETER SHORE, the shadow Foreign Secretary, yesterday put down his marker as a contender to succeed Mr. James Callaghan as party leader.

He did so with a lengthy exposition of his views which showed that in certain key areas of economic thinking, he would favour policies distinctly to the Left of those adopted by the last Labour Government.

For the most part his views would seem more likely to appeal to the Centre-Left of the party than the far left, and his lecture would appear to consolidate his reputation as the likely candidate for the "soft Left" when Mr. Callaghan goes.

Delivering the H. G. Wells Memorial Lecture, Mr. Shore unequivocally rejected monetarism and called for the abandonment of monetary targets, together with an expansion of the economy.

Inflation

He also argued for a much lower rate of sterling and the imposition of import controls.

He rejected a formal incomes policy to deal with inflation, proposing instead a policy of "co-operation" between a Labour Government and the unions which would agree the parameters within which collective bargaining would operate.

Mr. Shore also argued that a complete reappraisal of the priorities of a Socialist society was necessary.

Mr. Shore, a leading member of Labour anti-Market campaign in the referendum, ruled out the kind of seige economy advocated by the far Left and reaffirmed his basic belief in the mixed economy.

But his lecture suggested that he puts more faith in the Government's ability to manage the details of the economy than Mr. Denis Healey, the former Chancellor and favourite to succeed Mr. Callaghan if he retires this autumn.

Judging by his lecture yesterday, however, Mr. Shore's differences with Mr. Healey would be of degree rather than of substance.

Expectation

Mr. Callaghan has still not given any indication of whether he intends to go in the autumn, and he may well disappoint Labour MPs by failing to give any real clue of his intentions at next week's party conference in Blackpool.

But the expectation among Labour MPs is that Mr. Callaghan will probably go in November.

If he did, Mr. Healey would go into the contest as the favourite under the existing rules for electing the leader.

Assuming Mr. Michael Foot, the deputy leader, could not be persuaded to stand, Mr. Shore would probably be vying with Mr. John Silkin, the shadow Industry Secretary, for second place—and the votes of the Left in the final round.

Although Mr. Shore has regularly given a lecture on the future of socialism at about this time of year, yesterday's address was being interpreted in Westminster as a personal election manifesto.

Lonrho fails to subpoena Bingham

By Raymond Hughes, Law Courts Correspondent

AN ATTEMPT by Lonrho to compel a High Court judge to give evidence in its dispute with Shell and BP over alleged Rhodesian sanctions-busting was stopped by another judge yesterday.

Lonrho had served a subpoena on Mr. Justice Bingham who, as Mr. Tom Bingham, QC, conducted the Government Inquiry into sanctions busting allegations.

The company wanted the judge to be a witness at the private arbitration of the dispute, which has been going on intermittently since June 23 at the Piccadilly Hotel in London.

But at a private hearing in the High Court yesterday, Mr. Justice Griffiths granted an application by the Treasury Solicitor for an order quashing the subpoena.

Lonrho could appeal against the ruling but yesterday its lawyers refused to comment on the matter.

At the arbitration, Lonrho —which is claiming about £100m damages against Shell, BP, 28 other companies and three individuals—is attempting to prove that Shell and BP conspired with the rebel Rhodesian regime to keep oil flowing into the country throughout the period of UDI.

Shell and BP strongly deny the allegation.

In earlier court proceedings, Lonrho failed in its attempt to have Shell and BP's evidence and submissions to the Bingham inquiry put in as evidence in the arbitration.

BP plans £5m test plant for new fuel

BY MARTIN DICKSON, ENERGY CORRESPONDENT

BRITISH Petroleum is to set up a £5m test plant in Essex to produce large quantities of a new coal-oil mixture which could eventually be a substitute for heavy fuel oil in conventional oil-fired boilers.

BP intends to produce up to 100,000 tonnes a year of the fuel at a converted cement works in West Thurrock. The mixture will then be supplied to industry and power stations in several countries for large-scale trials spread over four years.

The move is a significant new development in coal-oil mixtures—a combination of heavy fuel oil and coal ground to a fine consistency. These are designed for use when oil-fired boilers cannot be converted to coal on grounds of cost, design or site logistics.

With a cost advantage over conventional fuel oil, the mixtures are expected to prove particularly attractive to industrialists planning a long-term switch to coal firing but having oil-burning plant with a substantial life remaining.

Shell is also heavily involved in the development of the mixtures—it has registered the name Colloil for its fuels—and parallel developments have been taking place in Japan and the U.S.

Council axes 420 jobs

FINANCIAL TIMES REPORTER

CAMBRIDGESHIRE County Council plans to axe 420 jobs by the end of the year. This includes 200 teachers, 84 policemen, 23 firemen and more than 110 administrative staff.

The council says many jobs will be lost through natural wastage, but that some redundancies, including day school teachers, will be unavoidable.

It has already reduced its staff by 500 since the start of the year. In July, the council decided that pay awards above 11 per cent would have to be paid for by further job losses.

Pay awards in excess of 11 per cent have since cost £1.4m, and higher oil prices have taken overspending to £2m.

● Ransomes, Sims and Jeffries, the Ipswich agricultural machinery company, is to close a subsidiary factory at Ely, Cambridgeshire, with the loss of 90 jobs.

● Walton and Co., welding engineers of Tettenhall, near Wolverhampton, is axing 40 jobs because of falling orders. Its 200 employees have been on short time for the past three months.

● The Tesco supermarket chain, which has had to lay off some staff because of the slump in retail spending, said yesterday that about 1,200 new jobs would be created by the end of the year.

Five stores are to be opened before Christmas in addition to the 11 already opened this year. But a number of Tesco's small stores may have to be closed as part of the rationalisation programme.

Duty-paid spirits show sharp fall

By Gareth Griffiths

THE AMOUNT of spirits on which duty was paid in the UK home market fell by nearly two thirds between April and June and was accompanied by a severe drop in drinks sales.

Figures released yesterday by the Wine and Spirit Association show a fall of 66.2 per cent in clearances from bond of spirits on which duty has been paid, compared with the same period last year. The fall is more severe for the home produced spirits—whisky, gin and vodka.

Considerable destocking by retailers and a comparison with especially high clearance figures for last year distort the position and exaggerate the decline.

But retailers and manufacturers are gloomy at the more reliable moving annual total of clearances, down 16.2 per cent on 1979, with no sign of improvement later this year.

The total spirits clearance figures between April and June was 8.42m litres of alcohol compared with 24.93m litres for the same period last year.

Surprisingly, vodka showed the largest drop in the amount cleared, at more than 70 per cent. Vodka has been the boom drink and all indications had suggested it was holding up well.

Spirit sales in the shops between April and June this year are reported to have fallen by between 20 per cent and 25 per cent. The Government's Business Monitor for the second quarter showed a 20 per cent fall in volume sales. Off licence spending rose by 5 per cent on a July 1979 base, but prices increased by 25 per cent for drink.

Assembly must work out Ulster solution'

BY OUR BELFAST CORRESPONDENT

THE REV. IAN PAISLEY, leader of the Democratic Unionist Party, said last night that if the Government brought in legislation to establish an Assembly in Ulster and then put the options for devolution to the Assembly, he would be happy to see that body make a decision on behalf of the people of the province.

Mr. Paisley spent most of yesterday in talks with Mr. Humphrey Atkins, the Northern Ireland Secretary, to press home his party's case that some form of majority rule is the only way to proceed towards devolution.

He told Mr. Atkins that within the second option proposed in the Government's July White Paper—a majority rule theme with minority safeguards—there were some aspects which could provide fertile ground.

The Democratic Unionist Party still feels that the current talks between Mr. Atkins and the parties could lead to elections to some form of Assembly early next year. However, he said before yesterday's meeting that any Assembly would have to go beyond a purely advisory role.

An Assembly with an advisory role, elected by proportional representation, is seen by the Government as the only fall-back in the very likely event of the deeply divided Northern Ireland parties failing to reach any significant agreement.

The Government argues that this would at least end the present sterility and offer the chance of a gradual devolution of powers.

Pym still firm on deterrent

BY OUR PARLIAMENTARY CORRESPONDENT

THE CONTINUED build-up of the Soviet bloc's arms strength left Britain with no alternative but to maintain the strength of its military deterrent, Mr. Francis Pym, Defence Secretary, said last night.

He said, however, that better value for money had to be obtained from the defence budget by finding new and more efficient methods, in particular by reducing administrative overheads.

He recalled that last month his Ministry announced that its cash limits were to be increased by £203m. This provided for continuation of full comparability in armed forces pay and for a further real increase in the defence programme this year.

European Parliament 'should be stronger'

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE European Parliament will need to play a more powerful role in EEC affairs when Greece, Portugal and Spain join the Community, according to the British Conservative group of European MPs.

In a pamphlet published yesterday, the group says that if the Community is to survive the strains of accession, it will need democratic institutions with adequate powers commanding full public confidence.

It believes the Parliament has a key role in this, and advances proposals to improve the Community's operation.

The Commission, it says, should when appointed submit itself to a vote of endorsement by the European Parliament. It should also discuss its work programme with the Parliament's Political Affairs Committee.

The Parliament should also have the power to approve the Commission's negotiating mandate with third countries and the right to be kept informed of progress of negotiations.

The document speaks of structural weaknesses in the Council of Ministers and suggests reforms. There should be a distinction between the legislative and deliberative functions of the council.

Records of legislative proceedings should be published with details of votes taken.

There should also be a political secretariat of Community officials which would be open to scrutiny by MEPs.

The pamphlet, From Nine to Twelve, is published by the Conservative Political Centre for the European Democratic Group, the name given to the British Conservative MEPs.

It was drawn up by 14 Conservative Members. It admits there was a divergence of view among them on the consequences of enlargement. This probably explains the cautious nature of the conclusions.

It stresses that accession of the three, with Greece coming next January, will mean a strong tilt towards agricultural interests. This reinforces the need to reform the Common Agricultural Policy to take into account the effect of enlargement.

Scottish competitor plea

FINANCIAL TIMES REPORTER

THE PRIME MINISTER has been asked by a London company producing computer-control servo-motors to help stop the Scottish Development Agency investing in a Scottish competitor.

Mr. Alan Wood, managing director of Small Electric Motors of Sydenham, has written to Mrs. Margaret Thatcher protesting that investment in the Scottish project did not make strategic sense from the national point of view and should not be publicly funded.

Permanent magnet servo-motors are used in robotics and other automated processes. Mr. Wood says in his letter that the possibility of the Scottish Development Agency investment comes soon after the failure of a similar venture involving the National Enterprise Board and SR Servotron.

U.S. concerns 'like Wales'

BY ROBIN REEVES, WELSH CORRESPONDENT

WALES IS given high marks as a European operating base for U.S. manufacturing companies in a survey published yesterday by management consultants, Maynard and Barry, covering around 100 U.S. companies operating in Wales. The survey says there has been a marked improvement in labour relations over the past two years.

Some 80 per cent of companies said they had suffered no significant disruption of production due to internal disputes in the last five years, compared with a figure of 63 per cent in a similar survey two years ago.

Around 84 per cent of U.S.-owned Welsh companies regard labour relations as easier or the same as in the U.S., compared with 68 per cent

Continued support for musicals

BY ANTONY THORNCROFT

THE ARTS COUNCIL will continue to support financially musicals like My Fair Lady and Oklahoma! Sir Roy Shaw, secretary general of the Arts Council, said yesterday, introducing the Council's 1979-80 annual report.

It had invested £40,000 in My Fair Lady and the money had already been paid back. Oklahoma!, which has just opened in London, is receiving £80,000.

production costs of expensive productio ncosts of expensive musicals because it wants to keep alive the major theatres in the provinces.

A visit of a favourite like My Fair Lady is a financial boost as well as attracting to the theatre people who would not normally go.

Sir Roy said yesterday that 48 per cent of the income of Arts Council "performing clients" came from the box office, with the Council contributing 39 per cent, local authorities 9 per cent, donations and sponsorship 3 per cent and other grants 1 per cent. This puts in proportion the current contribution of industrial sponsorship of the arts in the UK.

Sir Roy reviewed a year in which the Arts Council has largely escaped criticism of the 1,200 organisations and individual artists it supports. The major change in the last decade was the shift in support from London to the provinces. Around three-quarters of the Council's expenditure, which in 1979-80 was £61m, went to the provinces compared with less than half in 1970.

Council pay deal change suggested

BY ROBIN PAULEY

COUNCILS SHOULD be allowed to reach locally-negotiated wage agreements with their employees, where market conditions allow, to keep pay costs down.

This suggestion is to be made today by Mr. Noel Hepworth, director of the Chartered Institute of Public Finance and Accountancy. If adopted, the suggestion would mean an end to "pay deals negotiated nationally by trade unions."

"The pressure on local authorities to reduce their expenditure will grow. A crucial factor in the coming winter will be the attitude of trade unions to wage settlements," Mr. Hepworth says in an analysis for The Three Banks Review.

He says success in achieving lower settlements will depend in large measures on the climate of public opinion which central Government is able to generate.

The Government did not appear to have got over to many affected by public expenditure these points of its message about the economy—that capacity to finance public expenditure depends on its wealth-creating capacity; resources have to be diverted to wealth-producing at the expense of public expenditure; control of inflation is vital to maintenance of wealth-producing capacity; and higher pay without added productivity means higher inflation.

Local authorities were hampered because of the system of nationally-negotiated wage settlements. Trade unions usually insisted on minimum wage and salary levels being paid.

This prevented councils from responding, or exploiting local market forces in employment policies. Although change of policy would be difficult to negotiate, it would result in some savings on overall local authority wage and salary bills which now accounted for 70 per cent of all council revenue expenditure.

Mr. Hepworth also says that although there is much pressure from some sectors on local authorities to reduce expenditure, there is also a countervailing pressure at least to maintain minimum standards.

"Managers of local authority services are being squeezed between the pressure for reduction of expenditure and the pressure to respond to the problems of social deprivation and maintaining educational standards.

"There may be a general acceptance that public expenditure should be reduced but there is no overwhelming public acceptance that specific services should be reduced."

Society would have to provide alternative arrangements and stop off-loading its problems on to the "State." That would require an important change of attitude but there was no evidence that anyone was attempting to condition society generally to recognise and accept that change.

In addition to these problems, local authorities themselves face major difficulties in deciding where cuts should fall, even in those councils which were trying as hard as possible to reduce expenditure.

The difficulties were highlighted in the declining economic areas of the country, those affected, for example, by the rundown of heavy industry.

"Is it best to relieve hardship by maintaining spending on social services, education and keeping housing rents as low as possible?

"Or should the local authority recognise that to do that will, in practice, confirm the area in depression and produce no new investment which could, in turn, encourage the revitalisation of the area and reduce unemployment? The choice is difficult," Mr. Hepworth says.

Earliest hope for recovery a year away

UK forecasts offer a unanimity of gloom, writes **Peter Riddell**

THE BRITISH recession is likely to last at least another 12 months, with industrial output falling and unemployment steadily rising. But consumer spending should hold up and the annual inflation rate should drop sharply.

This is the general view of the main bodies which produce regular forecasts about the UK economy. The extent of agreement does not mean that the projections will be proved correct and all the forecasts necessarily involve a wide margin of error.

The degree of unanimity on at least the main features is, however, significant in its possible influence on policymakers in Whitehall, on businessmen and on City markets.

The accompanying table includes 12 projections which are representative rather than comprehensive.

The following comments and estimates also take account of the projections of the ITEM Club, Economic Models, Chase Econometrics, Merrill Lynch, and stockbrokers Carr Sebag, Laing and Cruickshank, Grieveson Grant, Wood Mackenzie, Capel-Cure Myers, de Zoete and Bevan, and T. C. Coombs.

The striking feature compared with an earlier analysis of economic projections (published on December 28, 1979) is how much gloomier the forecasters have become about both the depth and length of the recession.

Last December, the average drop in real Gross Domestic Product this year compared with 1979 was expected to be 1.4 per cent. Now the average projected decline is 2.5 per cent.

Similarly, at the end of last year most forecasters expected that the economy would start recovering during 1981 and GDP was forecast to rise by 1.3 per cent.

The latest estimate is a fall of 0.4 per cent with output continuing to fall until at least next summer.

The corollary is that unemployment is expected to rise more sharply than was thought likely last December—up to an adult total of nearly 1.8m by the fourth quarter compared with an earlier figure of 1.61m.

This revision may not have been sufficient since the adult UK total in mid-August was already nearly 1.7m, and rising fast.

It is generally true that the more up-to-date forecasts in the latest batch are gloomier than ones produced earlier in the summer, reflecting the deterioration in "real economy" shown in the official statistics. One result is also a greater optimism in more recent forecasts about the current accounts prospect.

There is agreement about the main influences and the marked difference which is likely between the experience of producers and consumers.

The main squeeze is on manufacturing industry, where output is expected, on average, to fall by 5.7 per cent this year and by 2 per cent in 1981.

This is in turn a reflection of very sharp cuts in the level of stocks from earlier high levels, and of a sharp drop in fixed capital investment.

These are expected to be the main contractionary factors, the current spending of the public sector is expected to continue to grow this year, before falling slightly next year.

The tight competition and the strong pound—which are limiting price rises and squeezing profits—are likely to benefit the consumer.

Average living standards, as measured by real personal disposable income, are expected to fall by 1.6 per cent at most next year and some forecasters anticipate a rise of up to 0.6 per cent. This follows a 15 per cent jump between 1977 and 1979 and a small increase likely this year.

Consequently, consumer spending may not change much in either direction over the next 18 months.

The forecasters are generally confident that there will be a substantial fall in the 12 month rate of retail price inflation over the next year though there is a wide range of expected outcomes for the last quarter of 1981—between 9½ and 14¼ per cent.

There is a mixed outlook on fiscal policy. Most forecasters reckon that public sector borrowing will exceed the officially forecast level of £8.5bn for 1980-81.

While the range predicted is up to £11bn, the average margin of overshoot is only just over £1bn. The few groups which have looked ahead to 1981-82 are sharply divided.

The main uncertainty is the length of the recession. The Bank of England quarterly bulletin pointed out last week that while a fall in stock levels might be a temporary phenomenon, other recessionary factors would start to operate, in particular the substantial weakening in world demand.

The problem in forecasting beyond mid-1981 is to know how the large erosion in the competitive position of British goods will work through and what will happen to consumer spending and savings.

COMPARISON OF FORECASTS

Percentage change year-on-year in constant 1975 prices unless stated		Treasury (March)	OECD* (July)	London Business School (June)	National Institute (Aug.)	Confederation of British Industry (Sept.)	Economist Intelligence Unit (Aug.)	Cambridge Econometrics (June)	Henley Centre (Sept.)	Staniland Hall (Aug.)	Phillips and Drew (Sept.)	Hoare Govett (Sept.)	James Capel (Sept.)
Gross Domestic Product	1980	−2.5	−2.25	−2.3	−1.8	−2.3	−2.5	−3.1	−2.2	−2.8	−2.5	−1.3	−4.6
	1981	—	−1	−0.4	+0.6	−0.6	−1.8	−0.7	+0.2	−0.6	−0.9	+1.8	+0.4
Consumer Spending	1980	+1	+0.5	+0.2	+0.5	+0.5	+0.5	−1.9	+0.2	−0.6	+0.1	+0.7	−0.9
	1981	—	+1.25	−0.5	+0.1	+0.6	−0.9	−1.6	—	+0.6	−0.3	+1.4	+0.2
Exports	1980	+0.5	+3	+3.4	+2.7	+2.4	−0.1	−2.3	+2.6	+1.9	+2.5	+3.5	+2
	1981	—	−2	+0.9	+1.4	−0.1	−3.1	−0.5	+0.6	+1.5	−1.3	+3.7	+0.3
Imports	1980	+2.5	+1.25	−0.8	+0.9	−0.8	−0.4	−5.5	−1.7	—	+1.6	−0.1	−1.6
	1981	—	+1.5	−1.6	+0.1	−0.1	−0.2	−5.3	+0.5	—	+1.2	+2.6	+2.3
Manufacturing Output	1980	−4.5	−3.75	—	−6	−6.8	—	—	−6.7	−6.7	−5.5	—	—
	1981	—	−3.5	—	−1.5	−3.4	—	—	−1.3	−0.9	−1	—	—
Retail Price Inflation (year to fourth quarter)†	1980	16.5	—	19.1	16.6	15.4	17.6	—	17.0	17.5	17.0	15.5	16.7
	1981	—	—	12.9	13.5	11.2	14.2	—	13.6	11.5	12.7	9.8	9.9
Unemployment (adults, fourth quarter, million)‡	1980	—	—	1.67	1.75	1.8	1.58	1.8	—	1.83	1.69	1.85	2.0
	1981	—	—	1.94	2.19	—	2.16	2.1	—	2.07	2.09	2.19	—
Current Account (£ billion)	1980	+2.75	−1.1	−1.9	−0.8	−0.51	−1.2	−2	+1.04	—	−0.4	+0.71	−0.07
	1981	—	−1.1	+0.25	+2	+0.09	−1.9	+1.9	+2.45	—	+0.7	+2.46	−1.2
Public Sector Borrowing (£ billion)	1980–81	8.5	—	8.77	9	9.1	—	—	—	—	10	9.25	11
	1981–82	—	—	7.20	6.2	—	—	—	—	—	11.7	—	—

† Retail price inflation for year to fourth quarter for all except London Business School, National Institute and CBI where consumer price inflation over same period.
‡ Unemployment—UK figures in fourth quarter for all except London Business School and National Institute where Great Britain (excluding Northern Ireland) figures for some period.
* Organisation for Economic Co-operation and Development projections for 1981 are for first half only and show change compared with previous six months at an annual rate.

House prices static for quarter

BY ANDREW TAYLOR

HOUSE PRICES throughout the UK continue to stagnate. Almost 70 per cent of estate agents replying to a national survey reported that prices had not moved during the three months to the end of August.

The findings of the monthly survey conducted by the Royal Institution of Chartered Surveyors are almost identical to the results of a similar study carried out at the beginning of August.

This time 67 per cent of agents nationally reported that house prices had remained static in the previous three months while almost 19 per cent said prices had fallen.

Demand remains strongest for older, cheaper, properties with more than 28 per cent of agents reporting price rises for pre-1919 terrace houses. For new houses, 21 per cent of agents said prices had risen during the quarter.

Elsewhere demand from househuyers is patchy, despite the fact that mortgages are more easily obtainable than for some time. Record interest rates appear to have deterred a number of potential buyers—particularly second time buyers.

By comparison, mortgage demand from first time buyers appears to have held up reasonably well and Mr. John Thomas, a senior housing spokesman for RICS, said: "There is good evidence of continued activity and many agents report a surprisingly active August—a month usually depressed because of the holiday season."

However, many agents across the country are not expecting any pick-up in house prices until Spring at the earliest.

Building society managers have also expressed fears that the present availability of mortgage funds may begin to dry up later this year with the launch of a new indexed-linked retirement bond to raise around £1½bn.

This is expected to draw away large amounts of cash that would normally remain in society coffers.

U.S. offer for Fodens welcomed

John Griffiths looks at the offer from the Seattle-based Pacific Car and Foundry Company for the Cheshire truck maker Fodens

WHEN Sir Keith Cork, Foden's joint receiver, flew back to London a few days ago with an acceptable offer for the Cheshire truck maker, it was from a mostly expected quarter: Seattle, 7.00 miles away on the U.S. north-west coast, is far better known as the home of Boeing aircraft than for truck-making.

But it also houses PACCAR, the Pacific Car and Foundry Company, whose operations include the manufacture of Kenworth and Peterbilt trucks and which has offered to buy Fodens as a going concern.

News of the offer has been received enthusiastically at Fodens' Sandbach works. For PACCAR's truck operation is effectively a North American alter ego of Fodens: occupying the same type of niche at the top of the premium heavy duty truck market.

"It is an outstanding solution," Mr. Richard Phillips, Fodens' general manager of marketing, said last night: "it would create the nucleus of a new force in West European trucking."

The basis of such optimism is that PACCAR is a strong company financially, and its existing truck operations would appear to blend in well with those at Sandbach.

Long before the receivers moved into Fodens in July, PACCAR has been putting out tentative feelers for a move into Europe. It already has a strong export business in Kenworth trucks to countries outside Europe, but felt there was a niche in Europe for heavy duty, very long-haul products with a potential life of 2m-miles plus where purchase price was secondary.

With the opportunity to acquire Fodens has come the ability to kill several birds with one stone.

Fodens has just finished developing a new range of trucks designed specifically to meet all EEC legislative requirements, but has lacked the finance to launch a European marketing push and develop networks.

These could provide the basis of PACCAR's own drive to set up European networks which would also provide outlets for the heavy duty long-haul Kenworth trucks with which Fodens does not compete.

The Sandbach plant has ample production facilities for Kenworth trucks to be built alongside Fodens vehicles. The Kenworths would be supplied to both Europe and many of the 70 other markets, mostly in the Third World, in which Kenworths are already sold. Fodens complementary products should also be able to tap extra markets via Kenworth's existing distribution and marketing structures.

There is also the prospect of developing joint vehicles to plug gaps in both makers' ranges.

So there should, in theory, be major advantages for both sides, with Fodens facing the possibility of expanding output considerably and, in the longer-term, the possibility of more jobs at Sandbach, where 2,000 are employed.

Output is about 2,000 units a year, against existing capacity on a single shift of about 6,000. The six-year-old assembly plant is one of the most automated in Europe, and on a double shift could be producing about 10,000 units a year.

In the event of the deal actually being signed — likely at the start of October — PACCAR will not have to cope with all the restraints of under-capitalisation which have doged Fodens since 1974, when it underwent its first rescue. This was caused by the coincidence of major expansion — which has made is a valuable asset now — and the first oil crisis.

PACCAR last year recorded net profits of $120.15m on revenue of $1.88bn, about 40 per cent up on the previous year despite a steep downturn in the U.S. truck market. Its per-share earnings of $14.57 put it at the top of the U.S. truck industry performance league table.

Sales of 15,000 Kenworths and about 9,000 Peterbilts made PACCAR the fourth largest heavy truck maker behind Mack.

Its other activities include the manufacture of Dart dump trucks, specialised monsters which start at about 100 tons; railway cars — which provided PACCAR's first business 75 years ago — and mining equipment.

Volvo extends dealer contracts

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

VOLVO Concessionaires, the Lex Group subsidiary, has become the first car importer to offer its dealers five-year agreements.

The Motor Agents Association said yesterday it was "absolutely delighted" with the arrangement and claimed that the Volvo contract would be "95 per cent in line with our terms for a model agreement between importer and dealer."

The association has been fighting for longer agreements for its members "in the light of the kind of investment a dealer has to make these days."

Some importers are still giving dealers contracts with only 30 days' notice and the association has particularly criticised some importers of Japanese cars about their terms.

In the past Volvo Concessionaires has given dealers contracts of two years. Most of them expire in January 1982, when the new terms will apply.

Dr. Jim Maxmin, chief executive, said yesterday: "We see a change to longer agreements as a logical development because to achieve the high levels of customer service to which we and our dealers aspire, it is necessary to have long-term stability at retail level.

"It is also a testimony to the strength of our franchise and our fundamental belief in helping our dealers in the long-term planning of an efficient and profitable business."

While the contracts will give dealers five years' security, they can terminate them after one year because Volvo Concessionaires does not believe in hanging on to a dealer who wants to quit.

Joseph 'dialogue of death'

By Nick Garnett, Labour Staff

UNION LEADERS met Sir Keith Joseph, Industry Secretary, yesterday to discuss the state of the engineering industry in general. They left with almost nothing meeting their catalogue of requests for industrial and financial assistance.

The meeting was the first between Sir Keith and the Confederation of Shipbuilding and Engineering Unions on problems facing the whole engineering industry.

The unions will present further information in writing, to which Sir Keith will reply. A further meeting between him and the confederation on problems of the industry was agreed but no date fixed.

Some union officials took this to be one of the most significant results of the meeting, that some form of dialogue had begun on the difficulties facing the country's principal industrial sector.

Sir Keith said however that he did not believe the Government could or would make any immediate moves to satisfy the union's expectations.

His department described the meeting as "friendly and constructive." However, Mr. Ken Gill, general secretary of TASS, the white-collar section of the Amalgamated Union of Engineering Workers, referred to it as a "dialogue of death."

Mr. Terry Duffy, AUEW president, said there had been no "solace" whatever on interest rates, the strong pound and import penetration. Sir Keith said there were no Government panaceas. He agreed to study, and to reply to, the unions' arguments for Government assistance on energy and fuel costs for manufacturing.

Printing of Daily Star in London extended a month

BY JOHN LLOYD, LABOUR CORRESPONDENT

A THREAT by the Express Group to close the London printing operation of the Daily Star on September 27 has been lifted for a month from that date to allow talks between unions and management on economies.

Lord Matthews, chairman of the group, told leaders of the five print unions at a meeting yesterday that he wanted £2.5m savings made on the Manchester-based tabloid, though he did not specify over what time period.

It is believed that the Daily Star is heading for a loss of around £6m in the current year.

Lord Matthews said the two-and-a-half hour meeting had gone very well, and that he was hopeful further talks would safeguard the Star's London operation.

He had reportedly been impressed by an offer, made last week by engineering workers with the group to take a cut of 5 per cent in their wages as a contribution to savings.

The print union leaders made it clear that a similar offer would not be made on behalf of their members. They agreed, however, to identify areas where savings could be made.

In the course of the discussions, Lord Matthews is said to have criticised Government policies as contributing to the current recession. Both the Daily and Sunday Express strongly support the Government, though the Star has developed an editorial line more sympathetic to Labour.

The unions raised the issue of a possible merger between the Evening Standard, owned by the Express Group, and the Evening News, owned by Associated Newspapers. They were told that the exploratory talks had been going on between the two companies for some years, but that they had not intensified recently.

Lord Matthews gave a commitment that any serious plans to merge the two London evening papers would be discussed at an early stage with the unions.

No details were given of the economies which the Express Group hopes to make, though the management believes that these need not involve redundancies.

The print union leaders told Lord Matthews that the Star had not been sufficiently promoted in the south.

● Gareth Griffiths writes: The Liverpool Daily Post and Echo yesterday agreed to "full consultation" with its nine unions over a major economies programme.

PM to see paper industry group

BY PAULINE CLARK, LABOUR STAFF

THE Prime Minister has agreed to meet a joint delegation of employers and unions from the paper industry. Mrs. Thatcher will hear their renewed appeal for Government help to prevent the collapse of newsprint production in Britain.

The meeting will take place at the end of next week. It is expected to include Mr. John Adams, director general of the British Paper and Board Industries Federation, Mr. Bill Keys, general secretary of the Society of Graphical and Allied Trades, and representatives of the Newspaper Publishers' Association, the Fleet Street newspaper body.

The meeting will also be attended by executives of the Bowater paper company. The company's newsprint plant in Ellesmere Port is threatened with closure this autumn.

All sides of the industry are worried about this year's sudden rundown in British paper production because of competition from foreign paper imports.

With last month's announcement of 1,600 redundancies at the Bowater Merseyside mill and another 700 at Reed's plant in Kent, 5,900 jobs have been lost so far this year as a result of paper-mill closures.

The Bowater action committee, set up last month by mill-workers to try to fight the closure plan, warned yesterday that if the meeting with the Prime Minister did not yield results, trade unionists would consider industrial action to save the UK newsprint industry.

Dockers' maximum severance pay raised

By Pauline Clark, Labour Staff

THE MAXIMUM severance pay for Britain's 24,000 dockers was raised by £2,000 to £10,500 under new plans aimed at reducing surplus dock labour announced to trade union leaders yesterday.

Dockers will also be able to retire at 60, instead of 65, if they choose, with no reduction in benefit. With additional improvements in pensions, dockers with 20 years or more experience will also be able to claim a maximum £12,500 if they have voluntarily left the industry since August 1, this year.

But the continuing problems caused by surplus labour in Britain's docks, and especially in Liverpool, was stressed at a special meeting yesterday when Liverpool dock leaders told employers that they were prepared to shut the port from next week unless they received a guarantee that new jobs will be found for 53 redundant shore gang and clerical workers in the port.

The severance plans were unveiled at a meeting of the national joint council for the ports' industry, only a day after dockers called off a national strike, following an employers' undertaking not to make 180 Liverpool dockers redundant from next week.

The Liverpool dockers' dispute had drawn attention to the financial plight of the port, which has about 800 dockers on its payroll for whom there is no work.

It is hoped that the new severance and early retirement concessions will help relieve Liverpool and other ports of the surplus labour problem.

Liverpool employers hope the cost of re-employing 180 men to be made redundant by T. and J. Harrison and Bulk Cargo Handling Services next week will be offset by a greater acceptance of voluntary severance, and by early retirement.

Mr. James Fitzpatrick, chairman of the Liverpool Port Employers' Association, said last night that the dock labour pool contained about 250 dockers aged over 60. He believed the increase in severance terms under the National Dock Labour Scheme would have "a marked impact."

Dockers over 60 will be able to commute part of their entitlement into a tax-free lump sum in excess of £2,000, giving them a maximum pay-off of £12,500. Meanwhile, dockers with five years' experience will receive £3,750 in severance pay; those with ten years, £6,000; and those with 15 years, £8,250.

Liverpool dockers' leaders in the Transport and General Workers' Union and employers will resume talks in the port today to discuss the problem of the ancillary workers employed by T. and J. Harrison, who are not covered by the jobs protection agreement applying to dockers under the National Dock Labour Scheme.

Veto on Chapple ejection from TUC committee thought unlikely

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE CHANCES were regarded as remote yesterday that the TUC general council would reverse the decision of the selection committee to remove Mr. Frank Chapple, the general secretary of the Electrical and Plumbing Trades Union from the TUC's finance and general purposes committee.

TUC leaders who support the decision rejected the view that Mr. Chapple was being ejected because of his outspoken opposition to several general council decisions. They said the issue was one of loyalty.

The major reason given for the move last week to unseat Mr. Chapple was his public opposition to the TUC's Day of Action last May. One general secretary said Mr. Chapple's attacks were insupportable, coming as they did on tops of attacks from the Government and sections of the media.

A Left-wing member of the TUC, Mr. Terry Duffy, president of the Amalgamated Union of Engineering Workers' engineering section to "mobilise the moderates" in support of Mr. Chapple would attract no more than a handful of votes.

Mr. Tom Jackson, general secretary of the Union of Communications Workers, said he would vote against Mr. Chapple's expulsion. The TUC had to reflect the range of views in the labour movement, and could not afford to discriminate against any of them.

He said, however, that those opposing the expulsion would be likely to be a minority. The Transport and General Workers Union, the Municipal Workers Union, both in favour of unseating Mr. Chapple, command eight votes on the council, while AUEW has three and Mr. Chapple's own union only one.

It was also pointed out that a number of smaller unions vote with the two large unions on most issues, and would not be expected to deviate on this issue.

Mr. Chapple attended the finance and general purposes committee at the TUC yesterday. The meeting was brief, and was concerned only with allocating to the appropriate committees the decisions taken at the TUC conference earlier this month.

Index-linked pensions defended

BY ERIC SHORT

THE TUC yesterday defended the present index-linking of public service pensions.

In evidence to the inquiry into the value of pensions, chaired by Sir Bernard Scott, the TUC said pension arrangements for workers in the public sector were not a special privilege compared with private-sector employees. Public-sector workers paid a share of additional cost themselves.

The TUC said private-sector employees should enjoy similar pension arrangements to public-sector workers. It had always held that all pensions should be protected against inflation, whether in the national insurance scheme, in public-sector occupational schemes, or in private-sector company pension schemes.

The steps taken to maintain the value of pensions paid by company schemes was inadequate and the objective should be to raise standards in the private sector.

The evidence defended methods used by the Government Actuary in valuing the differential between public-service pensions and those paid to employees doing comparable jobs in industry. The assumptions made by him were in line with recognised actuarial practice.

Mr. Len Murray, TUC general secretary, said much of the evidence given to the inquiry had taken the form of unjustified and inaccurate attacks on public-sector workers.

The TUC's evidence had shown that public-sector pension scheme members paid fair contributions for benefits they expected to receive. He hoped the report would make this clear and rebut comments based only on ignorance or prejudice.

Joint campaign for unemployed

BY OUR LABOUR AND LOBBY STAFFS

THE LABOUR Party and the TUC are to campaign jointly for an emergency programme to find jobs for young people and the long-term unemployed.

At a meeting of the TUC-Labour Party Liaison Committee yesterday, Mr. Denis Healey, the Shadow Chancellor, warned that the unemployment situation was going to get very much worse.

In a statement afterwards, the committee said the true level of unemployment was already well above two million, as the official figures did not show up the number of part-timers and unregistered out of work.

The committee effectively rejected the Government's argument that workers are pricing themselves out of jobs and insisted the responsibility for unemployment lay with the Government.

The meeting was the first since last month's TUC conference when the two sides agreed to hold joint talks on the economy with the aim of reaching an understanding which would form the basis of the next Labour Government's economic strategy.

Little reference was made at yesterday's meeting to those longer-term talks. But Mr. David Basnett, general secretary of the General and Municipal Workers Union, said the liaison committee must take political decisions on the economic consensus which could be agreed between the TUC and the Labour Party, to allow the party to fight the next election on an agreed programme.

Mr. Basnett emphasised that the consensus should span the full range of economic issues, and should be one that could stand the test of the difficult conditions which could prevail once Labour returned to office.

Labour Party reforms confuse unions

BY JOHN LLOYD, LABOUR CORRESPONDENT

UNIONS WHICH have still to decide their position on the three constitutional amendments which will be debated at the Labour Party conference in Blackpool next week have expressed considerable confusion over what they will be called on to support.

The country's third largest union, the General and Municipal Workers Union, has yet to come to a final decision on how it will cast its 650,000 votes.

Senior officials yesterday expressed doubt over the proposal for an electoral college to elect the leader, saying that the Labour Party's NEC has not made clear its function, nor its composition. They said that on the available evidence, it appeared likely that the union would oppose the changes.

It is expected that the NEC will move that the principle of an electoral college be accepted, though there has as yet been no decision on its composition or powers.

The GMWU had previously supported an electoral college in evidence to the party's Commission of Inquiry.

Last week, the Transport and General Workers' Union, the country's largest, said it would support an electoral college which both chose the party leader and had the final say on drafting the manifesto.

The Amalgamated Union of Engineering Workers (engineering section) has mandated its delegation to oppose the three constitutional changes.

The Union of Communications Workers will take a decision on Thursday. It is likely to oppose the three changes.

APEX puts jobless figure at 2.1m

TODAY'S unemployment figures will show there were 2.1m people without a job in September, according to a prediction made yesterday by the Association of Professional, Executive, Clerical and Computer Staff (APEX).

Mr. Roy Grantham, general secretary of the white-collar union, said yesterday the Government was losing control of the economic situation and, unless policies were changed, unemployment would gallop to 3m in under two years.

On the eve of release of the figures, APEX launched an attack on the Government's economic policies.

Meeting at the weekend, the 150,000-strong union's executive council passed a three-part resolution.

It rejected "as totally unacceptable and deplorable the present level of unemployment which will be 2,100,000 in September and will continue to rise at a rapid rate thereafter."

The executive was "deeply concerned at the continuing recession and closures affecting manufacturing industry, particularly engineering, steel, chemicals, textiles and footwear."

Britain faced "the prospect of losing between a fifth and a quarter of all jobs in the engineering industry within two or three years and of grave reductions in the other industries which will never be recovered."

It called on the Government to act "to reduce substantially interest rates, bring the level of the pound down to a competitive level, assist industry by reducing employment surcharges on national insurance contributions, and cut taxes on oils used in industry."

Commenting yesterday on unemployment Mr. Grantham said: "We anticipate that tomorrow's unemployment figures will be 2.1m and that, apart from school-leavers, the rate of unemployment is increasing rapidly."

Cleaner alleges fraud on Defence Ministry contract

BY OUR LABOUR STAFF

THE DEPARTMENT of Health and Social Security is investigating an alleged fraud by a contract cleaning company working for the Ministry of Defence.

The allegation was made by a woman cleaner working at a naval establishment. The woman, who worked for the company for three years, said she was paid weekly with two cheques, one made out to a false name.

The purpose was to allow the company to avoid national insurance contributions by appearing to make payments below the minimum at which employers' national insurance becomes payable, the Civil Service Union said yesterday.

The allegation was raised in the House of Commons by Mr. Chris Patten, Tory MP for Bath. Mr. Keith Speed, the Navy Minister, referred it to the DHSS which investigates alleged national insurance frauds.

The union which says it has detailed information about the case, including Giro cheque photocopies, yesterday accused the Ministry of Defence of failing to act convincingly.

At a meeting last week, the union told the Ministry it should sack the contractor.

JOBS COLUMN

Advice service at risk as redundancy rises

BY MICHAEL DIXON

"RETAIN COMPOSURE for a moment," the senior official said. He was reacting to the Jobs Column's sharp intake of breath as he disclosed to it the latest available figures for registered unemployment among managerial and specialist staff in the United Kingdom.

The surprise which had provoked my gasp was not naive. I know that unemployment figures for the end of August which have not been adjusted to compensate for seasonal fluctuation, are inflated by the surge of new job-seekers leaving education. In the case of "higher-level" joblessness, these seekers include graduates and school-leavers with GCE Advanced-level examination passes, who aspire to work in one of the managerial and specialist categories even though they may have no previous experience of the job concerned.

Even so, the current figures felt eminently gasp-worthy. From the end of June to the end of August last year, the registered higher-level unemployment rose by nearly a quarter from 56,947 to 70,960. This year the corresponding increase has been 46 per cent from 63,152 to what must surely be a record figure of 92,197. Why therefore the official warning against getting hot under the collar?

It transpired that although the statistics for the latest count do not show it, there has been evidence that people leaving education this year have been unprecedentedly quick to get themselves on the register. So official quarters feel that of the near-30,000 increase in the total since June, something towards 20,000 represents youngsters who are not so much unemployed, as not yet employed in the sort of work they think they would like.

Whether this feeling is right will not be sure until the next quarterly count, which separates out the new seekers, is made next month. In the meantime, therefore, I have analysed the end-August figures (which means sorting out and adding up 925 sub-sub-categories of staff scattered over six sheets of computer print-out with three columns of figures apiece and nary a sub-total in sight), and compared them with the breakdown produced for this column's previous discussion of the statistics at end-March.

As the table shows, despite increases in absolute numbers, there have been falls in the percentages of the total joblessness represented by the two biggest categories. Even at 16,322, by the way, the number of teachers registered represents only about 2.5 per cent of the total of full-time teaching staff employed in British State education.

Of the categories showing percentage increases, most seem to be kinds of occupation likely to be aspired to by people leaving education, and so probably include large number of inexperienced seekers. Examples of these among the 17 major categories given in the table, are: data processing, libraries, art galleries and museums, and the social and health services. So there is support for the official belief that joblessness among experienced staff is not as bad as the figures suggest.

JOBLESS HIGHER-LEVEL STAFF IN BRITAIN (not seasonally adjusted)

Categories of staff (17 largest only)	Numbers registered as unemployed at end-August: Men	Women	Total	% of grand total	Number registered at end-March: Total	% of grand total
Teaching	5,911	10,421	16,322	17.7	12,293	18.9
Sales and marketing	8,809	1,530	10,339	11.2	7,527	11.6
Libraries, art galleries etc.	4,475	3,385	7,860	8.5	4,808	7.4
Social and health	2,332	2,584	4,916	5.3	3,302	5.1
Engineers	4,249	58	4,307	4.7	2,663	4.1
Data processing	2,744	722	3,466	3.8	1,738	2.7
Office managers	2,810	591	3,401	3.7	2,740	4.2
Administration managers	2,410	952	3,362	3.6	2,015	3.1
Personnel	1,625	1,343	2,968	3.2	2,104	3.2
Production managers	2,860	59	2,919	3.2	2,368	3.6
Accounting	2,480	359	2,839	3.1	1,771	2.7
Estate agencies	1,338	1,447	2,785	3.0	1,898	2.9
Miscellaneous specialist managers	1,505	493	1,998	2.2	1,456	2.2
Transport & warehouse managers	1,794	28	1,822	2.0	1,596	2.5
Biologists	1,100	622	1,722	1.9	1,065	1.6
Construction managers	1,660	7	1,667	1.8	1,440	2.2
General management	1,505	69	1,574	1.7	1,452	2.2
Grand total of higher unemployed	64,610	27,587	92,197	100.0	64,902	100.0

But I doubt that the same, calming message can be inferred from percentage increases in two of the table's categories. One is engineers of whom, as I reported last week, employers are said to be unable to find a sufficient supply from universities and polytechnics. The other category is administration managers whose job is surely a bit above the immediate aspiration of people who have not worked before.

So while the figures may not be reason for going hairless, they are certainly no excuse for complacency. And they scarcely indicate a time when the British Institute of Management should be deciding to curtail a service which, among other things, offers managers and specialists who lose their job a comprehensive, independent and regularly updated means of checking on the growing number of "executive-redundancy counsellors."

The counselling offered by such firms varies from basic self-assessment and self-marketing sessions costing roughly £100 or even less—which are probably all that most jobless higher staff need—to elaborate "packages" costing several thousands. As a result, in the shock of dismissal, executives are liable to sign up for treatment beyond both their requirements and their pocket, unless they have some check such as that provided, solely to my knowledge, by the BIM.

This is not to say that the institute is ditching the service entirely.

At present the check on redundancy counsellors is maintained as part of a larger operation which keeps independent and annually revised account of management consultancies of all kinds. In effect, anyone thinking of retaining a consultant on marketing, recruitment or whatever, can obtain from the BIM recent, relatively disinterested information on the range of relevant consultants available.

What the BIM evidently plans is to wind up the larger operation, which occupies four staff, and continue the bit that deals with redundancy counselling as a separate service run by only one person. The trouble is that, with executive unemployment increasing and counselling firms apparently proliferating, one person could hardly hope to keep abreast of developments. Besides, why abolish what seems to be the only means which exists of checking on management consultants as a whole?

The answer is presumably expense. Like the counterpart operation checking on management courses which is also to go, the consultancy-vetting costs the BIM roughly £30,000 a year.

Why it need do so, however, is less clear. Nobody can know whether those wanting the consultancy check, and perhaps the consultants it keeps track of, would be willing to pay a charge to continue to have it available. But it would seem senseless to fritter away a unique accumulation of data built up over years, without first testing whether or not it could finance its own further development.

But that is what the BIM has apparently decided to do. Could this be, I wonder, yet another example of unenterprising British management?

COMPANY NOTICES

N.V. ENGELSCH-HOLLANDSCHE BELEGGINGS TRUST
(English and Dutch Investment Trust)
(established in Amsterdam)

5% FIRST CUMULATIVE PREFERENCE SHARES
5% SECOND PREFERENCE SHARES

NOTICE IS HEREBY GIVEN that PAYMENT of the following DIVIDENDS having been duly authorised, the relative coupons may be presented at the Offices of HOLLANDSE KOOPMANSBANK N.V., Sarphatistraat 14 A, 1017 WS Amsterdam, for PAYMENT on or after 1st October 1980

5 per cent First Cumulative Preference Shares:
Coupon No. 103 at the rate of F.25.
5 per cent Second Preference Shares:
Coupon No. 103 at the rate of F.25.

25% Dutch Dividend Tax will be deducted.

Residents of the United Kingdom and *other countries with which The Netherlands* have concluded a Tax agreement, are advised to consult their bankers in order to obtain their *dividends* free or partly free of Dutch Dividend Tax.

Coupons forwarded from the United Kingdom will only be accepted if forwarded by Authorised Depositaries and accompanied by the usual declarations required in accordance with the regulations in force in Holland.

By Order of the Board,
HOLLANDSE KOOPMANSBANK N.V.
Management.
Sarphatistraat 14A,
AMSTERDAM.
23rd September 1980.

CASSIAR RESOURCES LIMITED

DIVIDEND NO. 79

NOTICE IS HEREBY GIVEN that a dividend of twenty-five cents (0.25) has been declared, payable in Canadian funds, on 24th October 1980 to shareholders of record at the close of business on 10th October 1980.

By Order of the Board,
A. T. KANA,
Vice-President & Secretary.
10th September 1980.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN NIPPON MINIATURE BEARING CO. LTD.

NOTICE IS HEREBY GIVEN that pending the payment of a cash dividend for the 34th Fiscal Term the shareholders' register will be closed for the period October 1, to late December, 1980 and during this period it will not be possible to register the transfer of shares withdrawn against the surrender of EDRs.

Furthermore, it has also been declared that the shares will be traded ex-dividend on the Japanese Stock Exchange with effect from September 25, 1980.

Subject to approval of the dividend, a further notice will be published stating the amount and actual date of payment of such dividend together with the procedure to be followed for obtaining payment thereof as soon as practicable after receipt of the dividend by the Depositary.

Coupon No. 1 attached to the EDRs will be used for collection of this dividend.

CITIBANK, N.A.,
London.
September 23, 1980.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN OKUMA MACHINERY WORKS LTD.

NOTICE IS HEREBY GIVEN that pending the payment of an interim cash dividend, the shareholders' register will be closed for the period October 1-November 15, 1980, and during this period it will not be possible to register the transfer of shares withdrawn against the surrender of EDRs.

Furthermore, it has also been declared that the shares will be traded ex-dividend on the Japanese Stock Exchanges with effect from September 26, 1980.

Subject to approval of the dividend, a further notice will be published stating the amount and actual date of payment of such dividend together with the procedure to be followed for obtaining payment thereof as soon as practicable after receipt of the dividend by the Depositary.

Coupon No. 1 attached to the EDRs will be used for collection of this dividend.

CITIBANK, N.A.,
London.
September 23, 1980.

BOND DRAWINGS

PERUVIAN NATIONAL LOAN
6% External Sinking Fund Bonds 1928
(Second Series)

S. G. WARBURG & CO. LTD., announce that the semi-annual redemption instalment due 1st October, 1980, has been met by purchases in the market to the nominal value of £5,000 and by a drawing of Bonds to the nominal value of £21,800.

The distinctive numbers of the Bonds, drawn in the presence of a Notary Public, are as follows:—

£1,000 Bond
8932

£500 Bonds
7279 7503 7747 7992 8270

£100 Bonds

7	43	112	133	175	198	323	370	440	501
547	605	668	714	737	772	786	835	861	898
984	1022	1067	1108	1178	1199	1241	1279	1301	1317
1334	1351	1460	1492	1523	1553	1582	1612	1682	1718
1738	1769	1779	1813	1863	1909	1942	1991	2011	2081
2141	2172	2201	2231	2257	2277	2312	2368	2395	2422
2488	2493	2544	2638	2689	2705	2741	2804	2858	2902
2922	2968	2988	3021	3055	3068	3105	3144	3172	3264
3316	3352	3404	3417	3437	3484	3542	3561	3589	3624
3652	3700	3758	3811	3841	3884	3909	3947	3987	4048
4089	4150	4181	4203	4284	4314	4349	4388	4417	4488
4562	4591	4604	4630	4684	4886	4703	4742	4767	4835
4883	4918	4938	4966	5001	5103	5132	5189	5203	6229
5249	5272	5310	5366	5408	5491	5533	5596	5636	5680
5707	5740	5790	5809	6866	5942	5976	6005	6035	6067
6084	6111	6123	6180	6196	6217	6239	6267	6361	6406
6449	6489	6531	6659	6575	6667	6687	6709	6739	6767
6852	6871	6917	6934	8956	6981	6986	7025	7039	7069
7131	7163	7188							

On the 1st October, 1980, assented Bonds will become payable at the new par value of £174 for each £100 nominal, together with accrued interest to said data at the office of:—

S. G. WARBURG & CO. LTD.,
Coupon Department, St. Albans House,
Goldsmith Street, London, EC2P 2DL

Interest will cease to accrue on the Bonds called for redemption on and after 1st October, 1980, and Bonds presented for payment must have attached all coupons maturing after that date.

£337,100 nominal Bonds will remain outstanding after 1st October, 1980.

The following Bonds drawn for redemption on the dates stated below have not as yet been presented for payment.

1st October, 1975
£100 Bond Nos: 2734 5254

1st April, 1977
£100 Bond Nos: 3056 4316 5002 6844

1st October, 1977
£100 Bond Nos: 5016 6141

1st April, 1978
£100 Bond Nos: 870 4830

1st October, 1979
£100 Bond Nos: 138 804 1163 1551 2311 2436 2640
3010 3061 3117 3489 3563 4503 4583
4624 4887 4954 5197 5544 6456 6983

£500 Bond No. 7396

1st April, 1980
£100 Bond Nos: 775 869 1161 1518 1820 2140 2232
2432 2600 2733 3494 4253 4563 4964
5231 5325 5655 6019 6106 6699 7204

30, Gresham Street, London, EC2P 2EB

23rd September, 1980

APPOINTMENTS

APPOINTMENTS

Sir Michael Edwardes joins Hill Samuel

Sir Michael Edwardes, chairman of BL, has been appointed to the Board of HILL SAMUEL GROUP.

*

PRIME COMPUTER has created two new senior management appointments in its Northern European Region, based at the PRIME Europe headquarters in Hounslow, West London.

*

Mr. Rex Blagg has been promoted to Manager, Office Systems, Northern Europe, while Mr. Cland Vaz has been appointed Field Engineering Manager, Northern Region.

Mr. R. E. M. Craker, at present assistant general manager at MIDLAND BANK'S corporate finance division, has been appointed a regional director for Midland Bank's City and London East region from October 1.

*

Mr. N. E. H. Ferguson has been appointed an assistant director of J. HENRY SCHRODER WAGG AND COMPANY.

*

FORK TRUCK RENTALS, an associate company of Lansing, has appointed Mr. Robert Treseder-Griffin as managing director. Previously he held the posts of finance manager and general manager. Mr. Bob Foster has become general manager and Mr. Chris Dear is field operations manager.

*

Mr. E. Peter Coupe has been appointed property secretary of the SCOTTISH PROVIDENT INSTITUTION. He leaves the Royal Liver Friendly Society to take up his new position on September 29.

*

Mr. S. G. Brookshank has been appointed a director of the BERRY TRUST COMPANY.

*

Mr. Richard B. Stephens has been elected president of FREEPORT OIL COMPANY, a subsidiary of Freeport Minerals Company. Mr. Stephens has been vice president of the Louisiana Land and Exploration Company. He succeeds Mr. George B. McBride, who is retiring.

*

Mr. David Soans, owner of the footwear firm Ainge Woodsmith before it was taken over by CGM MARKETING, of Kettering, has now joined the Board of CGM as sales director.

*

Mr. Pat Woodcock has been appointed the HEALTH AND SAFETY EXECUTIVE'S new area director for the South West from October 1. He replaces Mr. Jack Rudd, who is retiring.

*

Mr. Dennis Fredjohn has been appointed a non-executive director of BPB INDUSTRIES from September 24.

*

Mr. G. A. H. Watts, with effect from October 1, has been appointed a regional director of the South Wales regional board of LLOYDS BANK, which sits at Cardiff under the chairmanship of Mr. George M. Williams. Mr. Watts is chairman of United Transport Company and a director of the British Electric Traction Company.

Mr. G. A. H. Watts

*

Mr. William F. Farley has been appointed managing director of FAMIBANK, a subsidiary of Citicorp. Mr. Farley has been a member of the Famibank Board for some time and he comes to the bank from Kundenkreditbank in Düsseldorf, Germany, where he is a partner. Previous to his position in Germany, Mr. Farley was president of Citibank, New York State, N.A., a subsidiary of Citicorp.

*

Mr. John A. Bunce has retired from MILES LABORATORIES. He has been a member of the Board of the company since its formation, and on retirement held the position of vice president—European development for the Dome Laboratories Division.

CONTRACTS

£2m nuclear engineering

FAIREY ENGINEERING has been awarded two contracts by British Nuclear Fuels for nuclear engineering works at Windscale. The total value is about £2m. One contract is for the manufacture, design, fabrication and installation of a series of filter bank units. The other contract is for stainless steel cladding of building area floor surfaces. This contract will require Fairey Engineering to establish a comprehensive workshop facility at Windscale, and will provide work for the company's site engineering division.

*

BRITISH AIRPORT EQUIPMENT GROUP has an order worth about £100,000 for baggage conveyors and water and toilet service vehicles placed by Ghana Airways for Accra airport.

*

DOWTY EQUIPMENT OF CANADA, Ajax, Ontario, has been authorised by Canadair to proceed with the design and manufacture of the landing gear for the CL-610 Challenger E, a stretched version of the successful CL-600 twin-jet short-haul transport aircraft. The initial authorisation represents the release of 50 shipsets of landing gear.

*

A £200,000 order for the supply of batteries to the Egyptian Telecommunications Corporation has been won by SAFT (UK). This is the first time that the ETC has called for tenders from leading battery manufacturers worldwide: previously the telecommunications needs have been met from within the battery industry in Egypt. Saft will provide 200,000 air-depolarised batteries which will be used by the Egyptians to power bells on extension phones, test equipment and on linesman phones.

*

BICC TELECOMMUNICATION CABLES has been awarded a contract by British Railways Board for the supply and installation of an optical cable telecommunication system between Birmingham International and Coventry.

*

SIGMUND PULSOMETER PROJECTS, Theale, near Reading, a member of the SPP Group, is to supply and instal pumps and ancillary equipment for a comprehensive sewerage and sewage treatment scheme being undertaken by the Severn-Trent Water Authority in the Mansfield area. Valued at about £120,000, the order covers four Freeway high-lift sewage pumps, any three of which are capable of delivering 400 litres per second against a total head of 47 metres, of which 33 metres is static head.

*

The British Broadcasting Corporation has awarded MARCONI COMMUNCATION SYSTEMS a GEC-Marconi Electronics company, a contract worth over £500,000 for the supply and installation of vision equipment in Studio B at Broadcasting House, Glasgow. Marconi is to provide three Mark IX colour cameras, together with a vision mixer, preview monitoring switcher, monitors and other ancillary equipment.

*

The power and water division of BABCOCK-BRISTOL—a member of the Babcock Industrial and Electrical Products group—is to supply GEC Turbine Generators with control equipment worth about £500,000 for installation in two major GEC contracts at the Ko-Ri Nuclear Power Station complex in South Korea.

*

HOPKINSONS, Huddersfield, has gained a £400,000 contract for NEI (Derby), main contractors for the British Steel Corporation at Port Talbot, for the design, manufacture and supply of boiler mountings, station valves and sootblowers for two new water tube boilers.

*

PHILIPS GROUP PROJECTS (UK) has won a contract to provide and install electrical and electronic equipment, systems and instrumentation for a new 30-bed private hospital in Truro, Cornwall. This project was conceived by a number of medical consultants practising in the area who formed the Cornwall Independent Hospitals Trust. This charitable trust has the responsibility for financing the construction and equipping of the hospital. The total package of products and services is in excess of £175,000.

*

M. E. MECHANICAL HANDLING, Peterborough, has been awarded a contract for a further two coach traversers for British Rail Engineering. These traversers are for the Horwich Works and are 62 ft long with a 100-ton capacity. The traversers will incorporate the supply of eclectrical power via cable reeling drums, also of MEMH manufacture.

*

H. ERBEN of Hadleigh, Ipswich, has received a wine bottling plant order from Allied Breweries Engineering Services for supply to Grants of St. James's, Slyfield. The order is for a capsule dispenser and shrink tunnel for plastic capsules as well as a spin-on capsuler for lead and smooth foil capsules.

*

GKN BIRWELCO has been awarded a contract to design and supply cracking furnaces for the Esso Chemical ethylene plant in Scotland.

*

H. ERBEN has received a further order for Kettner plant from the Express Dairies Group for the Wythenshawe Dairy, for a 1,000 bottle per minute line handling pintie bottle crates including ancillary conveyor work.

Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

● COMMUNICATIONS

Plessy moves data faster

PLESSEY HAS taken a short lead in the race to provide the fastest equipment to transmit voice and data over telephone lines.

It announced last week a device enabling the digital transmission of voice and data over telephone lines at rates of up to 16,000 binary digits (bits) a second, some 66 per cent faster than equipment now available.

Now the company is establishing a network of distributors world-wide to market the new product. It is talking chiefly to established suppliers of data communications equipment.

The device is a modulator-demodulator (modem), the 16002, which converts digital signals generated by, say, a computer or digital telephone exchange, into a form in which they can be transmitted in analogue fashion along ordinary telephone lines.

Fastest commercially available modems handling both voice and data work at rates up to 9,600 bits a second.

The new Plessey modem will find applications in large hierarchical communications networks, where designers are already finding themselves limited by the speed of the 9,600 bits per second modems.

There are faster modems in existence, for example, the IAL LDM which runs at 19,200 bits per second over short distances, or the Racal-Milgo 56K which runs at 56,000 bits per second over group band lines.

The Plessey modem, however, runs in the three kilohertz band width afforded by Post Office lines.

It uses a modulation technique called Quadrature Amplitude Modulation which involves two 1,700 hertz carrier frequencies 90 degrees out of phase. This technique is particularly immune to noise on the line.

The modem is in any case fitted with a microprocessor based forward error correction module which can reduce errors from noise on the line by a factor of up to 10,000 to one, for a speed reduction of only one sixth.

Plessey expects Post Office type approval for the modem in mid-October. Deliveries will begin in January, 1981.

● ELECTRONICS

Simpler wiring technique

A SYSTEM for wiring electronic circuit boards claimed to offer positive advantages over wire trap methods in prototype applications has been introduced to the UK market by Astralux Dynamics, Brightlingsea, Essex (0206 30 2571).

The system, named Quick Connect, was developed by Bell Laboratories in the U.S. and applied commercially by Robinson Nogent, New Albany, Indiana. It provides conventional sockets or terminals which are compatible with standard prototype circuit board holes. Each socket or terminal has a gold-plated beryllium-copper insulation displacement connection tine on the reverse side of the board.

Solid wire of 30 gauge is pushed in to the tine with a simple hard plastic wiring stylo. The insulation covering the wire is pierced by the tine, making a tight electrical connection which is claimed to be safe in gas-laden atmospheres. Each tine can take two wires, making it the equivalent of two wraps. As a result, it is claimed, Quick Connect can reduce the wiring time for prototype boards by up to 50 per cent compared with wire wrap methods.

A further advantage claimed is that wire stripping is not necessary. A useful practical feature is the slimmer board profile provided by the Quick Connect system. The standard board has a total thickness of 0.25 inch compared with 0.655 inch for the thinnest three-level wire-wrapped board. The density of a Quick Connect board therefore approaches that of a standard prototype circuit board and the boards can be used in production racks.

Quick Connect is available in three forms. Contacts and terminals can be supplied in bandolier strips for mass installation by the customer using simple semi-automatic tools supplied by Astralux. The company will also install Quick Connect sockets and terminals in prototype circuit boards supplied by the customer.

● IN THE OFFICE

Electronic typewriters

THE SWISS company Hermes Precisa International is introducing through its U.K. subsidiary in Colchester a range of three electronic typewriters and a word processor that cover a wide spectrum of office typing needs.

Top-tronic 20 for example will introduce the typist quickly and easily to this kind of work. It has no text storage but a full range of page setting functions will save the user time and effort.

Models 40 and 41 on the other hand allow repetitive sentences, dates, greeting formats and some standard text to be called from a memory. In addition, the presentation functions include centring, underlining, bold typeface, paper insertion, tabulation, and justification. There is a choice of five type pitches: 10, 12, 15 plus mini or full proportional spacing.

Model 40 has a 1,000 character memory in ten blocks while the 41 can keep 4,000 characters and has visual display of 20 of them to allow correction of what is keyed before it is printed.

Both of these machines have a correction memory capacity of 222 characters and a buffer that allows automatic correction on the current or previous lines. Memory is protected for 72 hours after the machine has been switched off.

At the top of the range is the Hermes WP 3200, a word processor proper with a single element printer. In addition to all the facilities of the model 41, the machine also provides operating "help" messages in the display panel to assist the user. The memory capacity in this case is 7,000 characters and there is a short text memory of 2,000 characters for immediate access to frequently used material. With the addition of mini-diskettes each holding 70,000 characters the total storage of text can be considerable.

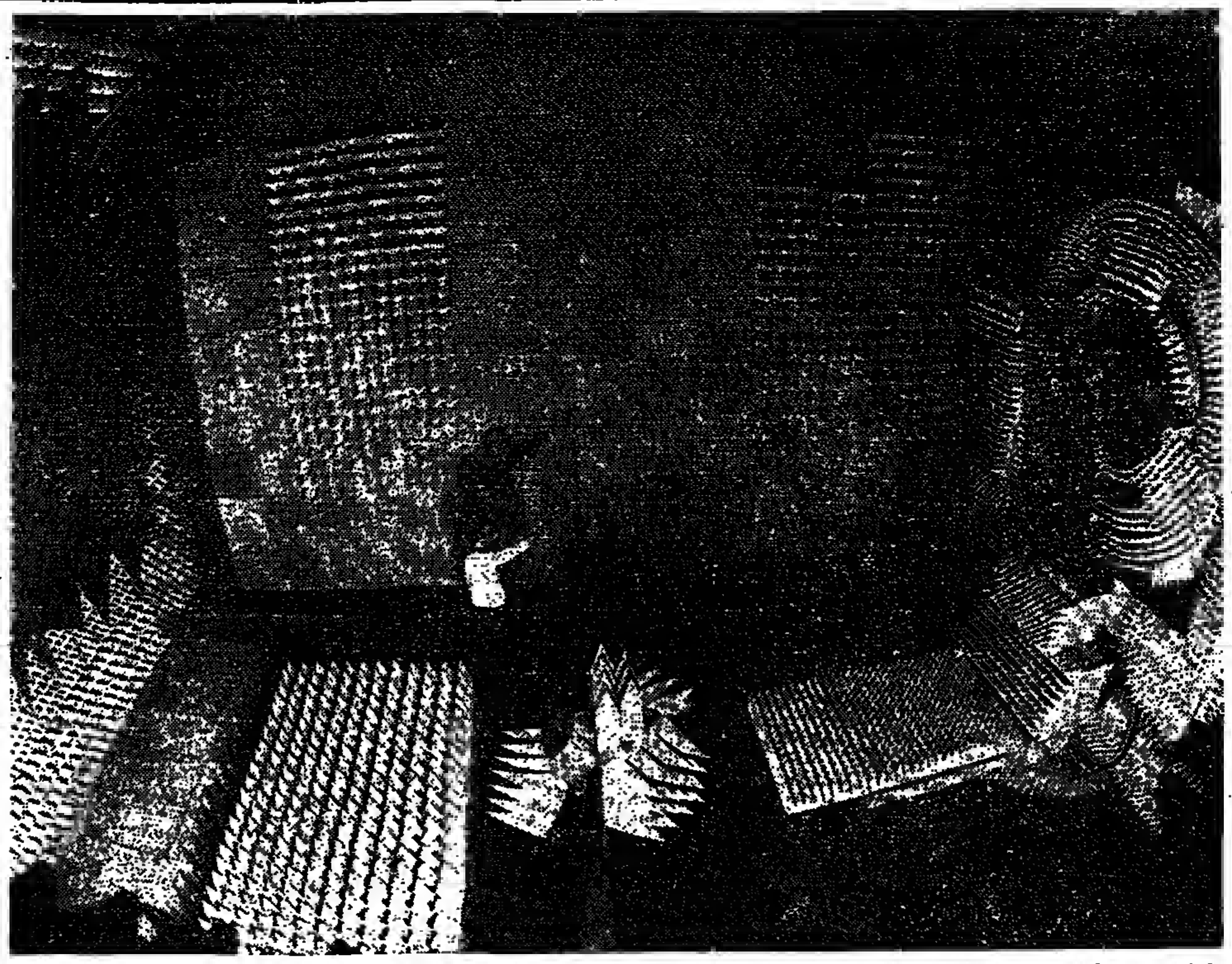
Hermes Precisa (UK) is at Centurion House, St. John Street, Colchester, Essex (0206 65115).

● MATERIALS

Barrier to noise

HELPING TO overcome the exhausting effects of protracted high frequency noise (which industry now recognises as a major health hazard) is a new sound deadening material from Visurgis (Great Britain), Towerfield Close, Shoeburyness, Essex (037 08 5955).

A rubber compound, unaffected by humidity and the effects of ozone ageing, the material is called Optimit and can be faced both sides with fabric in different colours where visual, as well as noise control, aspects are important.



This indoor microwave test range has been commissioned at Stevenage, Herts, by the Reinforced and Microwave Plastics Group of British Aerospace Dynamics. It was built specifically for use in advanced military aircraft radome tests which can be performed at frequencies from 2 GHz to 40 GHz. The range incorporates a precision positioning mechanism on which the item under test is mounted and presented to the incident microwave energy. The positioner can be controlled either manually or automatically. The Group which has built indoor compact microwave test ranges for British Aerospace's own use is now offering a service to industry covering specification, design, manufacture, and commissioning of such ranges.

How to have your fiche and change it

BRIEFLY mentioned on this page in February, the Bell and Howell document recording system using a dry, silverless light-sensitive film called Microx has now been formerly launched by the company and a description of the technique released.

The development is important in a number of ways. Not only does it do away with increasingly expensive silver halides but, of more significance, it allows the erasure and replacement of selected areas of image so that, on a microfiche for example, an out-of-date frame can be taken out and replaced by another. By the same token, further images can be added into the previously empty locations on a fiche. Or the whole fiche can be wiped out and re-recorded.

Images are formed (or re-formed) by a combination of electrostatics and plastic deformation. The Microx master film is completely insensitive to normal room light levels. It consists of an upper layer of deformable plastic which is also photo-conductive; under this are a conductive layer, polyester base, and scratch resistant coating.

In darkness a high resistance path is present between the plastic layer and the conductive underlying layer so that, if the upper layer is electrostatically charged, it will retain that charge. If now an image is projected on to the upper surface the clear portions will give rise to low resistance paths to the conductive layer, so dissipating that charge in that area. The dark areas on the other hand retain the charge.

To make the image visible the film is heated to about 100 deg C causing the upper plastic layer to soften; because an electrostatic force of attraction now exists between the surface and the conductive layer, the plastic is pulled down towards the conductive layer where alpha-numeric characters exist. The image is then made permanent on cooling.

At a slightly higher temperature (140 deg C) these "embossed" images can be made to flow again: selective heating of the fiche can remove specific frames, which can then be exposed again.

The embossing effect is used to make prints from the master by a kind of contact printing process; the formed characters in the plastic in fact are rounded "troughs" producing a lens effect. For printing, vesicular (heat developed) film is placed at a small but accurate distance from the master and the characters are in effect focused on the duplicate film to give a good image.

The complete Microx recording system offered by Bell and Howell fits easily on an office desk and measures only 660 x 690 x 1220 mm; it is used in conjunction with separate printer and processor for duplicate fiche.

Master-film loading is simple using location pins and depression of a pair of buttons positions the master exactly at the image position required. Two lenses (26x and 32x) are available to deal with most document sizes and book filming is catered for.

Each document filmed is displayed on a built-in monitor screen within seconds for instant verification of what has been recorded.

More from the Business Equipment Division, 33 Woodthorpe Road, Ashford, Middlesex (Ashford 51234).

GEOFFREY CHARLISH

● DATA PROCESSING

More new machines

AS FORESHADOWED on this page in mid-August, General Automation has now formally announced "The Boss," models 1, 2 and 3, which are respectively a micro, mini and a larger scale minicomputer aimed at a wide spectrum of commercial applications.

Design and manufacture is taking place in the UK to the extent of about 80 per cent added value, although the processor boards are being made by the U.S. parent.

The U.K. company expects to sell about 200 machines in the first year into both OEM and end user markets and some of them will be sold into the U.S. The new computers will supersede GA's Mini-Tom range of minis.

Boss 1 is a single screen floppy disc based micro with 128 kilobytes of memory and inexpensive low speed printer, intended for the small business first-time user at a price of £6,000.

From this, users can progress to a 32 screen configuration with 2 x 600 line/min printers and 8 x 300 megabyte disc drives, using the same software.

More from the company at 43, Windsor Road, Slough, Berks. (Slough 72331).

Investment accounting

AN INVESTMENT accounting service has been launched by dataStream, the time-sharing computer bureau for the financial securities industry.

It is described as a full security accounting package for institutional fund managers, and it has been designed by dataStream with the collaboration of three of its clients, a unit trust, a pension fund and an insurance company.

The package comprises three parts, dataStream said this week, investment ledger, income systems and broker settlements.

The package links in with the existing dataStream on-line service — updating and accounting are accomplished using a video display terminal in the client's office.

The cost depends on the facilities included but a typical customer might spend £10,000 to £15,000 a year on the service.

It is now undergoing user trials at a number of sites. dataStream is on 01-600 6411.

● COMPRESSORS

Sullair in UK market drive

BOTH mobile and stationary types of air compressor are to be marketed in the UK by Sullair. They are to be sold and serviced through a distributor network being set up by the company at 274, High Street, Uxbridge, Middlesex UB8 1LQ.

Initially, four machines in the portable range are being launched. These will have outputs of 99, 140, 177, 247 cu ft per minute respectively at a delivery pressure of 7.5 bar. Each is of the twin screw, single stage type, direct driven from a Deutz air-cooled diesel engine.

For special applications, such as shot blasting, an integral air cooled after cooler can be fitted to produce a lower discharge temperature, while an optional lubrication system can be fitted to prevent frost damage to tools during winter working.

The machines are housed within acoustically engineered canopies which, it is claimed, reduce noise output to about 70dB (A) at 7 metres. Each is equipped with two-wheel road running gear.

The stationary compressors available are in 20 sizes from 69 to 3,531 cubic feet per minute. Most are available with a choice of pressures of 7.5, 10 and 13 bar. All are supplied as package units, ready for installation.

Business and Investment Opportunities

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

European markets prove elusive to the UK

BY GEOFFREY OWEN

A GOOD many British companies, including some which were strong supporters of EEC membership, are disappointed by the results. Although exports to Continental Europe have certainly increased, expectations of an "enlarged home market," giving a fillip to efficiency, economies of scale and specialisation, have been only partially fulfilled.

Doing business in France or Germany, whether through exports or local manufacturing subsidiaries, has proved more difficult than expected; acquisitions have been a particularly uncertain route into the market. Of course there are exceptions.

For some manufacturers, sales on the Continent have become the most dynamic element in their business. But the general impression, reflected in the trade figures, is that Continental companies have been quicker and more successful in attacking the UK market than vice versa.

Is this the fault of British companies or of the way in which the EEC is organised, and what can be done about it? Some light is shed on these questions in a study* carried out by *Arthur D. Little, the consultants*, for the Anglo-German Foundation. Based on interviews with a sample of German and British manufacturing companies (35 in each country), the study describes how far their attitudes, strategy and performance conform to the "enlarged home market" concept.

A curious contrast between the two countries is that, while several of the British companies had gone to some lengths to devise a "European" strategy and to promote a "European" *image* to take advantage of EEC membership, the Germans took the whole idea much less seriously.

This is partly because they have been used to exporting to their Continental neighbours. The creation and subsequent enlargement of the EEC did not require any great changes in their products or their sales organisation. They were content to continue their traditional policy of exporting from their domestic base.

When they did embark on manufacturing outside Germany, their approach was equally cautious. The researchers asked the German companies whether a firm would choose for its marketing manager a German who was familiar with the corporate philosophy but did not have a versatile international outlook, or a very international Dutchman who was less in tune with the corporate philosophy. Most respondents thought their companies would pick the German.

Whereas German companies regarded being German in style, approach and image as essentially European, there was a perception among UK companies that being European was very different from being British. They saw a reorientation towards the EEC as both necessary and extremely difficult.

The study suggests that for several British companies the problem lies not in the quality of their planning for Europe but in half-hearted implementation. "These companies had well-conceived, sometimes elaborate plans but they were not backed by the level of investment, managerial resources and drive to make them a reality."

This may reflect the tendency of British companies to spread their marketing effort too thinly across the world. "To the extent that their resources are too widely spread or their managerial attention is distracted, they are vulnerable in their home national markets to inroads from their EEC competitors and are likely to find it increasingly difficult to establish strong positions in EEC markets."

The study notes that about half the sample British companies (and a significant but smaller proportion of German companies) placed more emphasis on penetrating the U.S. market than the EEC. But there are sound reasons for this view, as the study itself makes clear. The U.S. is a large, barrier-free single market, easier to penetrate than the EEC as a whole, and much bigger than any one part of the EEC. The fact is that because of cultural differences and non-tariff barriers the EEC is still to a large extent a collection of separate markets which have to be tackled individually.

Pseudo

To illustrate the point, five German companies had built factories outside Germany, for the following reasons:

- a plant in France to get sub-contracts on export orders for French engineering companies;
- a plant in Italy to avoid the impact of environmental regulations affecting the chemical composition of products, which in practice applied only to imports;
- plants in several countries in order to get government contracts there and special subsidies;
- plants to get regional development benefits;
- plants to circumvent the uncertainties of exchange fluctuations.

For several companies, differences between EEC countries were as significant as those between an EEC and a non-EEC country. While economies of scale might call for one large plant to supply the whole market, political realities required the creation of local plants or at least "pseudo-plants" to overcome national prejudices. EEC integration had also been held back (especially in France) by restrictions on foreign investment and on acquisitions by foreign companies. Preferential public purchasing policy, especially in France and Italy, was another important burdie.

Differing national product standards posed a far more serious problem for the British than the German companies. This is partly because German standards tend to be more stringent than those of other countries, possibly reflecting a difference in expectations about quality. If a company can satisfy the German market, it is well set to compete elsewhere in the EEC, but the *initial problems, which* may involve re-designing the product, are considerable.

The EEC Commission has made some progress in harmonising national standards but the procedure is lengthy and may from time to time be interrupted by semi-political moves, like the new national standards for forklift trucks introduced by France in 1978.

Cultural and non-tariff barriers may be used by some British companies as an excuse for their poor performance in the EEC, but they serve to reinforce the "foreignness" with which Continental Europe is still regarded. Why the same should not be true of Continental companies selling into the UK is not entirely clear.

A British truck manufacturer suggested that the relative problems of penetration were not balanced: "The self-contained geographical nature of the UK permitted European competitors to enter it with a smaller proportionate commitment of resources than was needed for a UK producer to enter the European market."

Invasion of the domestic market by Continental competitors is itself a powerful reason for launching a counter-attack and the Arthur D. Little study contains a number of suggestions on strategies likely to be successful. The authors are right to emphasise that, for all its imperfections, the EEC offers enormous opportunities for companies that are imaginative and determined enough to exploit them. But the full potential of the Community will not be realised until national governments acquire the political will to make the "enlarged home market" a reality.

**The EEC as an expanded home market for the UK and the Federal Republic of Germany; a report, prepared for the Anglo-German foundation for the study of industrial society by Arthur D. Little Ltd. Price £15. Conferences will be held to discuss the findings of the report in London on October 29 and Dusseldorf on November 13; details from Anglo-German Foundation, St. Stephen's House, Victoria Embankment, London SW1A 2LA (01-930 6226).*

Good housekeeping in store

Arnold Kransdorff reports on Marks and Spencer's energy saving measures

WHILE THE objectives of energy conservation are the same for everyone—to optimise on fuel consumption—the techniques for implementing an effective management programme differ according to the type of business.

An energy manager would find his task at a manufacturing company very different from that at the headquarters of a large insurance company, for example. The main energy source at a factory would probably be a massive generator to drive, say, a cigarette making machine while the insurance company's energy consumption would be confined mainly to office heating/ventilation and lighting.

For the High Street retailer, the problem is different again. In its case, there is direct contact with the public at all times and factors such as sales floor lighting—a major element in the energy budget—are important considerations.

One of the most impressive energy management programmes by a High Street retailer is being run by Marks and Spencer, the foods to clothing group with 252 stores throughout the country. The company's energy usage is particularly high because of recent rapid expansion into chilled and frozen foods; in addition an increasing number of stores have recently had full air conditioning installed.

The company's commitment to energy conservation has, since 1974, been obsessive—with startling results.

Marks and Spencer estimates that had it not begun to introduce savings measures then the total energy bill for the current year would be £11.2m—almost £3m more than the anticipated actual cost.

Since measures were introduced in 1974 the company has saved a total of £12.6m for a capital investment of around £1.7m.

The success of the programme is better illustrated by the fact that in volume terms (units of electricity) consumption is now little more than 1972 levels in spite of a 50 per cent increase in total building area and the hefty commitment to chilled and frozen foods.

And all of this has been achieved through only one full-time appointment backed up by the part-time involvement of store managers and many of the staff.

The entire energy management programme is co-ordinated through energy manager George Colman. Energy conservation officers report to him through each store manager.

An important part of the programme has been to encourage staff at all levels to become more energy conscious. To do this, the company gives lectures to all new staff members, locates "Switch It Off" labels above all light switches, "Turn it Off" labels over radiator control valves and runs competitions for energy saving measures and slogans. In addition there are poster campaigns and articles in the company's house journal.

This is backed up with some enterprising technical innovation.

So far the best results have been achieved with sales floor lighting, one of the most important elements in ensuring that merchandise is shown to best effect.

In Marks and Spencer's case an energy audit in 1973 showed that sales floor lighting was the single largest item of energy expenditure, equal to 40 per cent of total electricity consumption. This has, quite spectacularly, now been reduced to about 26 per cent.

One of the first measures taken was to reduce sales floor illumination by about 40 per cent. Perimeter lighting was then reduced from twin to single fluorescent, eliminating about 60,000 ft of tubing for an annual saving of about £0.15m.

During the appraisal of lighting levels it became apparent that more efficient light sources could be employed, says Marks and Spencer. So, in collaboration with Philips, a new fluorescent tube was developed giving a light output 40 per cent higher than the one previously used.

This meant that 30 per cent fewer tubes needed to be installed for a saving, in spite of higher unit costs, of more than £1,500 a year for every 1,000 original tubes used. All existing light fittings have now been converted to the new tube.

Further developments, giving additional efficiency, have been a smaller-diameter tube and a Mercury Halide light source. They will be increasingly employed throughout the group.

There is also a continuing programme to replace tungsten lighting used in stockrooms by more efficient fluorescent lighting.

After lighting costs, the next biggest consumer of energy was food refrigeration which, according to the energy audit of 1973, accounted for 29 per cent of the electricity bill.

Now, food refrigeration accounts for about 42 per cent of the electricity bill, but as this figure accommodates a sharp expansion in this part of the business the savings are less evident. Since 1973 there has been a linear footage increase of nearly 500 per cent in chilled and frozen food displays and storage throughout the group.

One of the first moves was to condense displays by switching off equipment when trading was slack in the early part of a week. Engineers then examined the chiller and freezer units for efficiency.

It was discovered that the two most popular units, one of which had been specially designed for Marks and Spencer, were operated from remote compressor units and were expensive to run.

A modification to the open topped chiller units to increase the height of the well by about three inches reduced the spillage of cold air. On the freezer side, the multi-tiered units were replaced by a new Slimline tub incorporating its own compressor/condenser, which is less costly to instal and run. It also retains cold air and can easily be fitted with night covers.

In addition the company has installed heat recovery systems from the piped refrigeration plants. This is used to pre-heat domestic hot water for stockroom areas. An installation at Winchester has shown an 80 per cent annual saving.

Elsewhere all thermostats controlling air-conditioning were reset from 20°C to 22°C and speeds of fans used to circulate air were reduced. All thermostats controlling heating have been set down from 20°C to 18°C and thermostatic valves have been fitted to all radiators.

Other technical measures include:

- Installation of cavity and roof insulation, double glazing on all new constructions.
- Installation of alarms which advise staff when demand is reaching a pre-set level.
- Installation of power factor correction equipment which adjusts fluctuating current to be in phase with the voltage supply.
- Installation of solar panels at seven stores to pre-heat domestic hot water.
- Installation of modular boilers to improve efficiency, especially when part loaded.
- Installation of lighter, more efficient light fittings.
- Improvement of switching arrangements, particularly in stockrooms, to enable local switching in working areas.

Marks and Spencer also exposes itself to ideas from external sources through study groups with major companies such as Pilkingtons, Thorn, Philips and ICI. Liaison meetings are also held with bodies such as the Department of Energy and the Multiple Shops Federation.

Additionally, the company passes on all conservation ideas to its manufacturers and suppliers and follows this up with personal visits to give specific advice.

Marks and Spencer describes all measures as "good housekeeping." For the future the company intends to continue devoting time, money and effort to the problem although it admits that proportional savings will be harder to achieve as time passes.

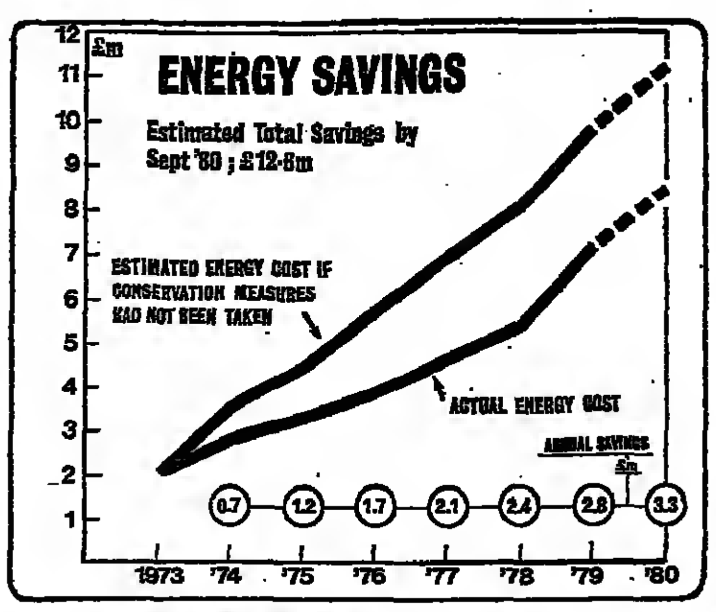
The key to continued savings will be "vigilance," a sustained interest and commitment from all staff and more research and development, it adds.

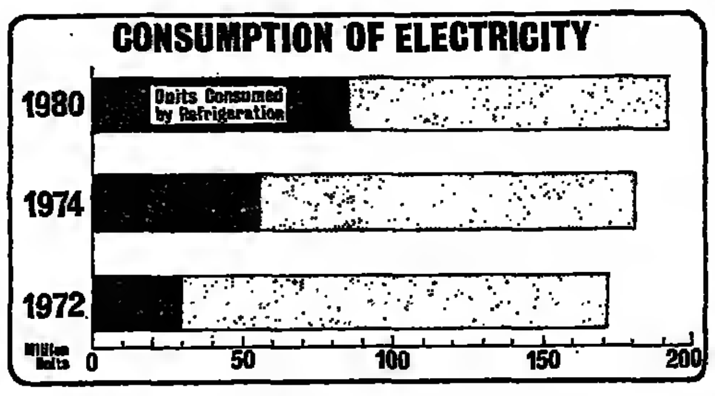
The next stage will probably be the application of micro-processors to automate many of the energy saving measures that are now being handled manually.

However, Marks and Spencer is in no hurry to choose a system. For the moment it is evaluating various applications. "By using the wrong system we could end up using more energy than before," says Bernard Lobert, chief engineer. "This isn't to say we are discounting the use of micro-processors.

"They can be used to achieve the fine tuning to give further substantial reductions in consumption but we want to be sure that any system we eventually use will be worthwhile."

He points out that the most effective piece of micro-equipment is still the proper use of the human brain.





LOMBARD

The case for new funding methods

BY ANATOLE KALETSKY

IF EVER there was a time for turning Britain's monetary system upside down, this must surely be it. Having ignored all warnings about the perverse effects of imposing a monetary theory made in America on institutions set up to serve quite different purposes in Britain, Ministers are now picking through the wreckage of their whole economic policy and looking for scapegoats at the Bank of England.

Keynesian

The idea that technicalities are at the root of the Government's economic failures does not inspire much respect among industrialists, bankers, trades unionists or organisers of local conservative associations. The "practical men" they believe that because Britain suffers glaringly from real economic problems, the solutions cannot be based on tinkering with purely monetary mechanisms. At one level, they are right, since the fundamental problems in Britain are low productivity, poor labour relations and bad management. But they are quite wrong when they address themselves to the failings of the monetary economy—of which inflation is the pre-eminent example—and when they consider the role of government intervention in determining aggregate output.

The Government's policy has been based largely on monetary objectives — money supply and the value of public sector borrowing. But the intention was that all the necessary adjustments would take place in the real economy. Public borrowing was to be reduced by cutting government employment. Monetary targets were to be met by restraint in real wages. Now that these real adjustments have failed to materialise, the Government's policy is in limbo. The only options seem to be either to fudge the monetary plans or to operate on the one real economic lever which is firmly in the Government's hand by raising taxes.

There is, however, a much more palatable alternative. This is to cut the monetary value of Government borrowing and spending and to reduce interest rates "at a stroke" by telling the Bank of England to replace most of the Government's fixed-interest debt with index-linked bonds of one kind or another.

Indexation would work, firstly, by allowing the Government to fund its borrowing requirement without printing money or driving up interest rates and, secondly, by reducing the size of the borrowing requirement, since much of the £8bn interest on the national debt would no longer have to be paid out to the investment institutions, only to be mopped up again through high-coupon gilt issues.

The deepest objection, as Anthony Harris has pointed out, is that indexation would make it much easier for governments to run "excessive" borrowing requirements, unchecked by the conservatism of the City's fund managers and stockbrokers.

This brings us to the most critical, and muddled, question in the economic debate: should the Government run a higher PSBR to stop the economy sliding further into recession, or raise taxes to achieve the same result by promoting lower interest rates, capital exports and a decline in the exchange rate?

Negative

The answer may be that the PSBR is not excessive, but merely impossible to fund in a non-inflationary way within the constraints of the present financial system, which decimates the real economy whenever the Government attempts to reduce inflation. In inflation adjusted terms, the PSBR is already negative, as C. T. Taylor and A. R. Threadgold of the Bank of England has shown. With an inflation-adjusted method of funding, the Government could perhaps run a bigger PSBR to stimulate the economy and still meet its monetary targets at low interest rates. Furthermore, as Mr. Michael Posner pointed out in a letter to this paper last Thursday, a higher real PSBR could be compatible with more capital exports if it stimulated economic activity. "Money illusion" in the financial markets creates many of the chasms between Keynesians and monetarists, "wets" and "dries" and, most importantly, the employed and the unemployed.

Prospects for the 1980 vintage

WINE

BY EDMUND PENNING-ROWSELL

THERE IS nothing more hazardous in the European wine world than predicting the outcome of the next vintage, and the professionals are always understandably cautious.

It is the like of politicians and journalists who rush in where vignerons fear to tread. But it is not, I must hasten to state, those who write regularly about wine that proclaim in advance the not infrequent vintages of the century: as did a Sunday newspaper's *Paris correspondent* before the fine but not great 1959 Bordeaux vintage, and the French Minister of Agriculture a month in advance of the very variable 1964 one.

This year, in mid-August, the distinguished Paris correspondent of another daily paper wrote off the 1980 French crop.

Four factors

In fact, no one really knows the results of a vintage until the grapes are fermenting in the vats. For there are at least four important factors that influence the result. The first is frost in late winter and, even more damaging, in spring. It was the late frosts in 1977 that ensured a small and probably not very good crop. This year there was no extensive damage, not even in Germany, always susceptible until mid-May.

The next hurdle is the flowering of the vine, which should begin as early as possible in June, and be over within a fortnight, with the fruit set. This year, owing to the late, dismal spring and early summer in northern Europe, the delayed flowering dragged on well into July, and the setting was poor.

Two results may ensue from this: *coulure*, when the flowers fall off without forming grapes; and *millerandage*, with the grapes so tiny that they never properly swell. Both occurred throughout the fine French wine districts, the former particularly with the Merlot grapes in the Gironde, entailing a small crop in St. Emilion and Pomerol where this variety is prevalent. In Alsace there will be no Muscat and only 5 per cent Gewurztraminer, the region's most sought-after-wine.

Champagne is reported as particularly badly affected, and it is even suggested that the crop will be smaller than the disastrous 1978, and with no reserves of still white wine to supplement it as there were then.

In Germany a small crop of Reisling is expected, affecting principally the Moselle and Rheingau where it predominates. Otherwise quality may be good, though the quantity will be small. But it is likely to be normal in Austria after a late spring.

The next critical period is in August, for the vineyard commonplace is "*Aout fait le gout*." This year a fine August certainly improved the taste considerably, and hope was re-born at least in Bordeaux, but less so in Burgundy where the *veraison*, the colouring of the grapes, was the latest since the very poor 1954 vintage. Louis Latour in Beaune predicts no more than a half-crop, with whites excessively acid and reds on the coarse side. He suggests a vintage starting as late as October 15, but Roland Remoissenet, broker of the big Nicolas firm, thinks it might be delayed until the 20th. If so, will there be an Hospices de Beaune auction this November?

The decisive factor, however, is the weather in the weeks preceding and during the vintage which nearly everywhere takes a fortnight. The promise afforded by the wonderful summer of 1973 was washed away in pre-vintage storms, and the predictions of a great 1976 in Bordeaux were reduced by poor weather during the picking. However it held in Burgundy and Beaujolais, and excellent wine was made.

On the other hand the poor summers of 1977, 1978 and 1979 were redeemed by long spells of fine autumn weather. Indeed 1978 was saved by this and an exceptionally small rainfall from mid-August until the late vintage in October. Will it happen again this year? The Bordelais have not forgotten 1964 when after a fine summer, the heavens opened on October 8 and it rained for a fortnight.

Nevertheless in quantity the Gironde harvest may be reasonable, with 4m hectolitres, the same as in 1978. If the sweet wines are unlikely to be very successful, the dry whites could be perfectly sound.

Not all is gloom, however, even in France. The prospects in the Rhone are good, with plentiful quantity and at least good if not great quality. A good omen was the stability of prices when the market reopened after the holidays, whereas in Bordeaux they rose a little.

There could be acceptable Beaujolais Nouveau if the weather holds, but its release might well be delayed. There have been no weather problems in the Midi, and a good crop is forecast. Indeed overall, France expects an average crop around 70 million hl.

In Italy there has been a hot summer in the northern and central vineyard areas, though the ripening has been delayed, and a mid-October vintage is likely, but the steadiness of prices indicates there is no fear of a wine shortage. The huge vintage in 1979 precludes this in Italy and France outside Champagne.

South of the Pyrenees conditions are quite different. In Jerez the vintage began at the beginning of September, actually slightly earlier than last year, and the volume may well turn out much the same as last year's record 14m hl. With grape prices only marginally higher, prices should not rise to any degree. In Rioja the vintage has just started, and a big crop is forecast.

On the Douro, the flowering was delayed, and the slightly later-than-usual vintage should start next week, but prospects for quality and quantity are good.

What will be clear from the above is that in most fine wine districts the vintage will be late. For the old rule-of-thumb calculation that the vintage starts 100 days after the flowering (and 45-50 after the *veraison*) is remarkably accurate.

In Champagne the forecast date is a start between October 10 and 15, and in Bordeaux little may be picked before the 13th. The latest rate there since the last war was October 14—for the dreadful vintage of 1956. Germany is used to late vintaging, but a start on the fine wine sites at the end of October or even in November is obviously hazardous.

Blending

Finally, how much does all this matter to us consumers? It does, of course, because the quality and still more the quantity of a vintage has a rapid effect all the way down the price line; and for the mass market quantity counts most, because lesser wines can be improved by blending.

If volume turns out sharply smaller than forecast, then prices may rise. This is most likely in Champagne. Otherwise last year's big crops and current decreased demand are big brakes on prices.

In quality it seems unlikely that 1980 can be as good as 1979, and those who have so far held off buying last year's vintage might well think again. For there is no guarantee that 1981 will be any better.

Liboi is expected to cut a dash

RACING

BY DOMINIC WIGAN

FOLLOWING FURTHER spells of heavy rain again yesterday in the South, Lingfield seems sure to be riding soft this afternoon. Backers will do well to concentrate on those who relish plenty of cut in the ground.

Two who fall into this category are Liboi and Hunston. Although the Rosemary Lomax-trained Tom Rolfe horse Liboi is now an eight-year-old, he retains his form well and is quite capable of adding to his five successes on the flat, given testing ground and a reasonable handicap mark. He has both on the Surrey course and appeals as the best outsider with win and place prospects.

In the Arundel Stakes Handicap another veteran, but one favouring firm ground, Botanist, may give him most to do. Last time out, Jim Old's course winner took advantage of a 10 lb concession from Hay Ride when beating that opponent and 10 others in a 1½-mile apprentices' handicap at Wolverhampton just under a fortnight ago.

Hunston, among runners for the seven-furlong Burr Stakes, gains a well-deserved first success following two placed efforts when making all the running in the hands of Lester Piggott to land Sandown's Sha Tin Stakes on yielding ground over the same trip back in July.

Although she has not been seen out since taking that worthwhile prize through a three-length success over the subsequent Crathorne Stakes winner Star Pastures, the Newmarket two-year-old is thought to be better than ever. She is likely to prove too sharp for the once-raced Walbam Green, the 1½-lengths conqueror of Ringal at Salisbury.

There were no defectors at the final declaration stage for the afternoon's most important event, the £4,000 added Upham Stakes, and Broomstick Corner has a stiffer task than had been anticipated.

Nevertheless, she has made up into a smart middle-distance filly over the past couple of months and a reproduction of the form which saw her chasing home Shoot A Line in the Park Hill following three consequent victories will see her home.

LINGFIELD

2.00—Copt Hall Realm
2.30—Liboi***
3.00—Hunston*
3.30—Broomstick Corner
4.00—Main Royal**
4.30—Cummins

TV/Radio

* Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra high frequency only). 9.05 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill at One. 1.45 Trumptoo. 2.00 You and Me. 2.14 For Schools, Colleges. 3.20 Tyrol (Politics in the South Tyrol). 3.53 Regional News for England (except London). 3.55 Play School (As BBC 2 11.00 am). 4.20 Laurel and Hardy cartoon. 4.25 Seeing Stars with Terry Wogan. 4.40 Play Away. 5.05 John Craven's Newsround. 5.10 Stopwatch.
5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide.
6.45 The Tuesday Film: "Four For Texas" starring Frank Sinatra.
8.35 Wildlife on One.
9.00 News.
9.25 Fair Stood the Wind for France.
10.20 The Miracle Workers.
10.50 Invitation to the Dance: Zizi Jeanmaire and Mikhail Baryshnikov in "Carmen."
11.35 News Headlines.

All Regions as BBC1 except as follows:

BBC Cymru/Wales—11.38 am-12.03 pm Dechrau Siarad. 1.45-2.00 Heads and Tails. 5.10 Bildowcar. 5.25-5.40 Yr awr fach. 5.55-6.20 Wales Today. 6.45 Heddiw. 7.20 Gair i gall. 7.45-8.35 The High Chaparral. 11.35 News Headlines. 11.37 The Middle Man. 12.07 am News and Weather for Wales.

Scotland—10.38-10.58 and 11.38-11.58 am For Schools. 12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 11.35 News Headlines, News and Weather for Scotland.

Northern Ireland—10.38-10.58 am For Schools (Ulster in Focus). 3.53-3.55 Northern Ireland News. 5.55-6.20 Scene Around Six. 11.35 Boxing: Highlights from last night's bouts in the Maysfield Leisure Centre. 12.15 am News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Newcastle); Look North-west (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
11.00 Play School (as BBC1 at 3.55 pm).
4.0 Open University.
6.55 Hometown visits Beverley, North Humberside.
7.25 Mid-Evening News.
7.35 Roots of England.
8.05 My Music.
8.30 Top Gear.
9.00 Butterflies.
9.30 Not the Lot of Not the Nine o'clock News.
10.00 The Brandenburg Concertos by J. S. Bach.
10.20 The Legend of Jimmy Blue Eyes.
10.45 Newsnight.

LONDON

9.30 am Schools. 12.00 Paperplay. 12.10 pm Pipkins. 12.30 The Sullivans. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 Here Today. †2.25 Tuesday Matinee: "The Happiest Days of Your Life," starring Alastair Sim and Margaret Rutherford. 3.45 Food, Wine and Friends. 4.15 Get it Together. 4.45 Smith and Goody. 5.15 Emmerdale Farm.
5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 Charlie's Angels.
8.00 Cooper's Half Hour.
8.30 Arthur C. Clarke's Mysterious World.
9.00 Born and Bred.
10.00 News.
10.30 Barbara Castle—Diary of a Woman in Power.
11.00 Guinness Golden Darts.
11.30 Barney Miller.
12.00 am Close: "Sit Up and Listen" with Sandy Gall.

All IBA Regions as London except at the following times:

ANGLIA

12.30 pm The Riordans. 1.20 Anglia News. 2.25 Poetry of Landscape. 2.45 Chopper Squad. 6.00 About Anglia. 7.00 B.J. and the Bear 11.30 Kez. 12.40 am Minor Meditations.

ATV

12.30 pm The Riordans. 1.20 ATV News. 2.25 The Tuesday Movie: "Doublecross," starring Donald Houston and Fay Compton. 5.15 Survival. 6.00 ATV Today with ATV News. 6.05 Crossroads. 6.30 ATV Today. 7.00 Emmerdale Farm. 7.30 England Their England. 11.30 ATV News. 11.35 Baretta.

BORDER

1.20 pm Border News. 2.25 Tuesday Matinee: "Murcheson's Creek." 5.15 Survival. 6.00 Lookaround Tuesday. 7.00 Emmerdale Farm. 7.30 Love Thy Neighbour. 11.30 Kez. 12.25 am Border News Summary.

CHANNEL

12.30 pm The Riordans. 1.20 Channel Lunchtime News, What's On Where and Weather. 2.25 The Tuesday Matinee: "The Third Girl From The Left." 5.15 Doctor Down Under. 6.00 *Channel Report*. 7.00 *Dartmoor*. 7.30 C.I. Disco Dancing Final. 10.28 Channel Late News. 11.30 Paris. 12.25 Commentaires et Previsions Meteorologiques.

GRAMPIAN

9.25 am First Thing. 12.30 pm The Riordans. 1.20 North News. †2.25 Tuesday Matinee: "Young Wives' Tales." starring Joan Greenwood and Nigel Patrick. 6.00 North Tonight. 7.00 The Electric Theatre Show. 7.30 Doctor Down Under. 11.30 Reflections. 11.35 Wilderness Alive. 12.30 am North Headlines.

GRANADA

12.30 pm The Riordans. 1.20 Granada Reports. 2.25 BJ and the Bear. 5.15 Diff'rent Strokes. 6.00 Granada Reports. 6.30 This Is Your Right. 7.00 Emmerdale Farm. 7.30 Doctor Down Under. 11.30 The New Avengers.

HTV

12.30 pm The Riordans. 1.20 HTV News. 2.25 The Tuesday Matinee: "Safari," starring Janet Leigh and Victor Mature. 5.15 Buckaroo Bugs. 5.20 Crossroads. 6.00 Report West. 6.20 Definition. 7.00 Emmerdale Farm. 7.30 Doctor Down Under. 10.28 HTV News. 11.30 The Practice.

HTV Cymru/Wales—As HTV West/HTV General Service except: 8.30-9.45 am Mwy Neu Lai. 12.00-12.10 pm Ffalabalam. 4.15-4.45 Sbardun. 6.00 Y Dydd. 6.15-6.30 Report Wales. 10.30-11.30 Ffilmiau'r 70au.

SCOTTISH

12.30 pm The Riordans. 1.20 News Headlines and Road and Weather Report. 2.25 Tuesday Matinee: "Murcheson's Creek." 5.15 What Happened Next? 5.20 Crossroads. 6.00 Scotland Today. 6.30 What's Your Problem? 7.00 Emmerdale Farm. 7.30 Doctor Down Under. 11.30 Late Call. 11.35 Paris.

SOUTHERN

12.30 pm The Riordans. 1.20 Southern News. 2.25 "Playmates," starring Alan Alda and Connie Stevens. 5.15 The Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Day By Day. 7.00 Emmerdale Farm. 7.30 Three's Company. 11.30 The New Avengers.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News and Lookaround. †2.25 Tuesday Matinee: "A Hill in Korea" starring George Baker and Harry Andrews. 5.15 Diff'rent Strokes. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life. 7.00 Emmerdale Farm. 7.30 Survival. 10.30 North East News. 11.30 Kate Loves A Mystery. 12.30 am Learning the Hard Way.

ULSTER

1.20 pm Lunchtime. 2.25 Tuesday Matinee: "Doublecross." 4.18 Ulster News. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 7.00 Emmerdale Farm. 7.30 Hotspot. 10.28 Ulster weather. 11.30 Gardening Today. 12.00 Bedtime.

WESTWARD

12.30 pm The Riordans. 1.20 Westward News Headlines. 2.25 The Tuesday Matinee: "The Third Girl From The Left" starring Kim Novak. 5.12 Gus Honeybun's Birthdays. 5.15 Doctor Down Under. 6.00 Westward Diary. 7.00 Dartmoor. 7.30 Now's Your Father. 10.31 Westward Late News. 11.30 Paris. 12.25 am Faith for Life. 12.30 West Country weather, shipping forecast.

YORKSHIRE

12.30 pm The Riordans. 1.20 Calendar News. 2.25 Tuesday Matinee: "Message To My Daughter." 3.45 Calendar Tuesday. 5.15 Life Begins at Forty. 6.00 Calendar (Emley Moor and Belmont editions). 7.00 Emmerdale Farm. 7.30 *Survival*. 11.30 *Cash* and Company.

(S) Stereophonic broadcast
‡Medium Wave

RADIO 1

5.00 am As Radio 2. 7.00 Dave Lee Travis. 9.32 Simon Bates with The Golden Hour (part 1). 10.32 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.32 Simon Bates with The Golden Hour (part 2). 3.32 Peter Powell. 5.31 Talkabout. 7.31 Mike Read. 10.02-12.00 John Peel (S).

VHF Radios 1 and 2—5.00 am With Radio 2. 8.02 pm Hooray for Hollywood. 9.02 Glamorous Night (S) (‡ joins at 9.30). 9.55 Sports Desk. 10.00 With Radio 1. 12.00-5.00 am With Radio 2.

RADIO 2

5.00 am News Summary. 5.03 Steve Jones (S). 7.32 Terry Wogan (S). 10.03 Jimmy Young (S). 12.03 pm David Hamilton (S). 2.03 Ed Stewart's Request Show (S). 4.03 Much More Music with David Symonds (S). 6.03 John Dunn (S). 8.02 League Cup Soccer Special. 9.30 Glamorous Nights (S) (joins VHF). 9.55 Sports Desk. 10.02 Windsor Davies Presents . . . . The Multi-National Eisteddfod Show. 10.30 Those Magical Movie Musicals. 11.02 Brian Matthew with Round Midnight, including 12.00 News. 2.02-5.00 am You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Debussy (S). 10.00 Pears, Schmidt and the BBC SO (S). 11.05 Haydn and Smetana: Chamber music recital (S). 12.05 pm Haydn, Poulenc and Honegger: Concert, part 1 (S). 1.00 News. 1.05 Six Continents. 1.25 Concert, part 2 (S). 1.50 *Trevor Pinnock: Harpsichord Recital* (S). 2.45 Schoenberg and Ravel: Recital (S). 3.45 Violin and Piano: Recital (S). 4.25 Jazz Today (S). 4.55 News. 5.00 Mainly for Pleasure (S) (‡ and mono only from 6.20). 7.00 *The Great Jowett*, by Graham Greene (S). 8.00 London Philharmonic Orchestra: Concert, part 1: Bartok, Beethoven (S). 8.55 Wolf as Opera Critic. 9.15 Concert, part 2: Brahms (S). 10.05 Jane Manning: *Song Recital* (S). 11.00 News. 11.05-11.15 Fernando Sor, guitar music (S).

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 *Today, including* 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News Headlines, 7.45 Thought for the Day. 8.45 The Best of Pierce. 9.00 News. 9.05 Tuesday Call. 10.00 News. 10.02 Medicine Now. 10.30 Daily *Service* (S). 10.45 *Story Time*. 11.00 News. 11.05 Thirty-minute Theatre. 11.35 Wildlife. 12.00 News. 12.02 pm You and Yours. 12.20 Down Your Way. 12.55 Weather; programme news. 1.00 The World at One. 1.40 *The Archers*. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Listen With Mother. 3.15 The Golden Bowl by Henry James (S). 4.10 The Whisky Island. 4.40 Announcements. 4.45 *Short Story*. 5.00 *PM. News magazine*. 5.50 Shipping Forecast. 5.55 Weather; programme news. 6.00 News. 6.30 Top of the Form. 7.00 News. 7.05 The Archers. 7.20 Rome: Has the Tide Turned?: Conflict within the Roman Catholic Church. 8.05 A Touch *of the Vapours*. 8.20 Letters from a Governess. 9.05 In Touch: For the visually handicapped. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Speaking for Ourselves. 11.00 A Book at Bedtime. 11.15 *The Financial World Tonight*. 11.30 Daniel Barenboim (piano) plays Mendelssohn, Schumann, Schubert. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 4.30 London News Desk. 5.35 Music on the Move. 7.03 Black Londoners. 8.00-5.00 am Join Radio 2.

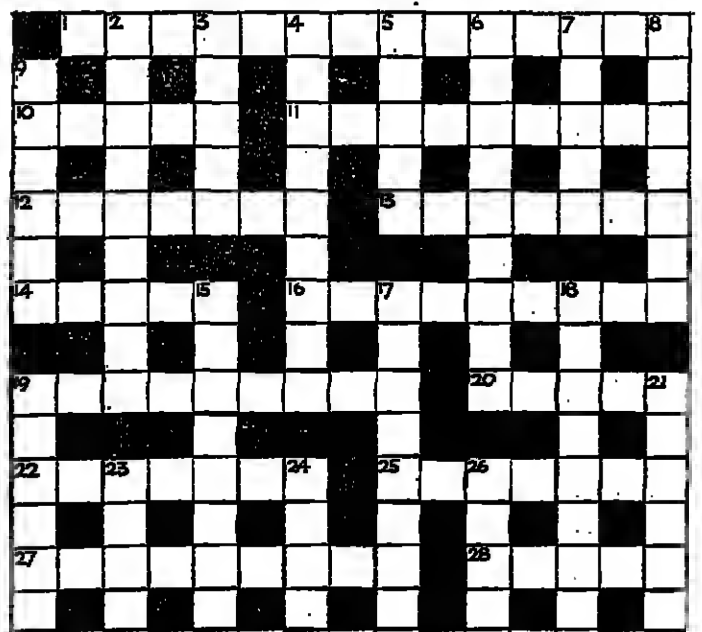
London Broadcasting

5.00 am AM—Bob Holness and Douglas Cameron. 10.00 Brian Hayes. 12.00 LBC Reports. 8.00 pm After Eight. 9.00 Nightline. 12.00 LBC *Reports Midnight*. 1.00 am Night Extra. 4.00 After Eight Special. 5.00 Morning Music.

Capital Radio

6.00 am Mike Smith's Breakfast Show (S). 9.00 *Michael Aspel* (S). 12.00 Graham Dene (S). 1.00 pm London Today (S). 1.10 Graham Dene (continued). 3.00 Roger Scott (S). 7.00 London Tonight with Sarah Ward (S). 9.00 Nicky Horne (S). 11.00 Tony *Myatt's Late Show* (S). 2.00 *Duncan* Johnson's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 4,381



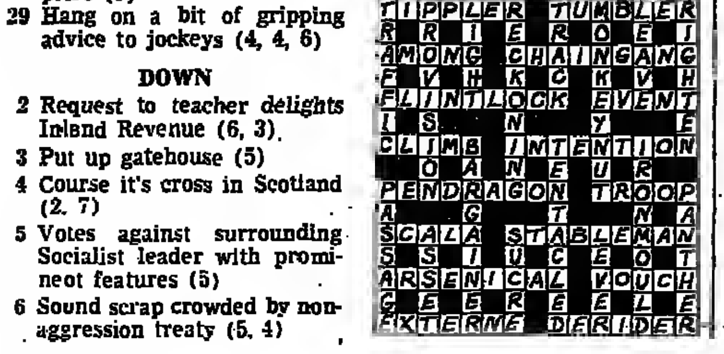
ACROSS

1 Fruit on the stairs? (6, 3, 5)
10 Material found in river (5)
11 Sailor joins person spotting non-voter (9)
12 Daughter is to look after swell (7)
13 Enter quietly when pilferin' (5, 2)
14 Start progressive party (5)
16 I see MP has all the ingredients of stress (9)
19 He'll never win by twisting R. L. Robeson (4, 5)
20 Drunkard to back salesman (5)
22 Bird taken to main town in Wales (7)
25 Imperial award second hand muddled (7)
27 Sudden outbreak of sex in pool confounded (9)
28 Singer failing to cover surprise (5)
29 Hang on a bit of gripping advice to jockeys (4, 4, 6)

DOWN

2 Request to teacher delights Inland Revenue (6, 3)
3 Put up gatehouse (5)
4 Course it's cross in Scotland (2, 7)
5 Votes against surrounding Socialist leader with prominent features (5)
6 Sound scrap crowded by non-aggression treaty (5, 4)
7 Cancel article extracted from yearly (5)
8 Novel showing way to shooting gallery (7)
9 Boss takes one round drawing room (6)
15 20th floor heard to be hyperbole (4, 5)
17 Deposit magistrates on open-air resting place (4, 5)
18 4 in blind alley not showing emotion (9)
19 Live to watch church going to pray (7)
21 Soldiers 'd study how to blush (6)
23 Shock circuit father upset (5)
24 A foreign deity could be so long (5)
26 Married superior person with resolution (5)

Solution to Puzzle No. 4,380



ENTERTAINMENT GUIDE

OPERA & BALLET

THEATRES

CINEMAS

ART GALLERIES

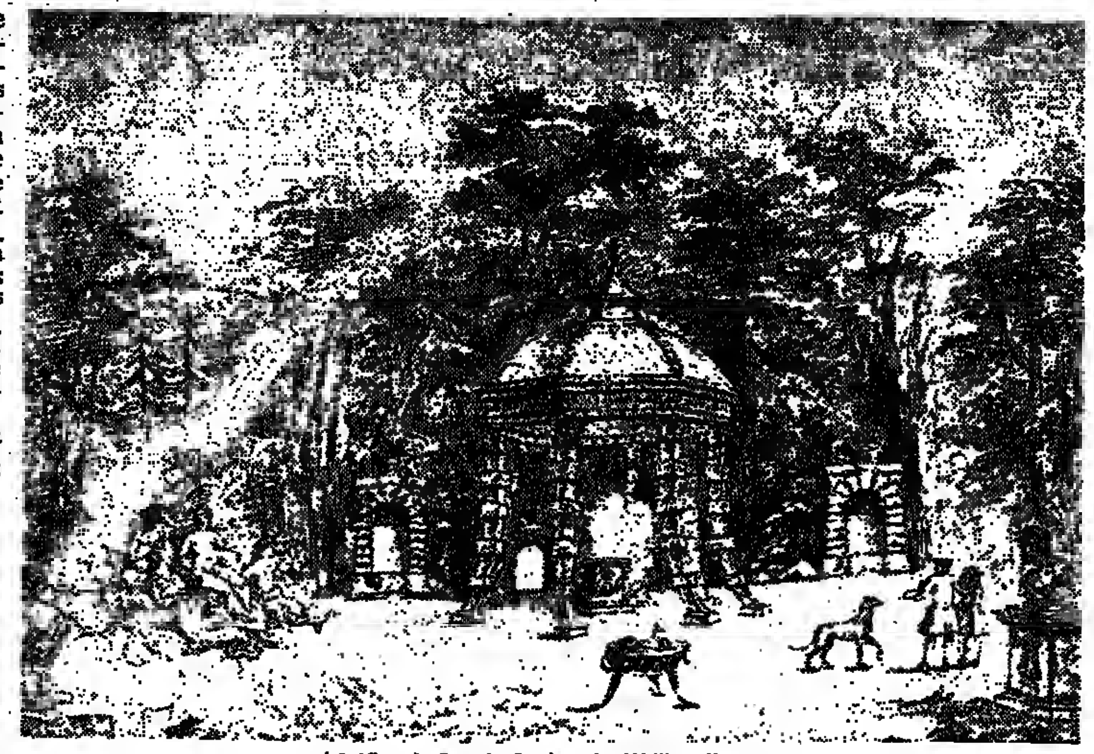
Marble Hill House, Twickenham

Alexander Pope's Villa

by ROY STRONG

When anyone comes to me with a proposal for an exhibition I always ask the same question: "Is it an exhibition or is it a book?" In a way an exhibition is parallel to compiling a television script; what cannot be said visually literally cannot be said. *Alexander Pope's Villa* at Marble Hill House, Twickenham, until September 28 stems from a book, Morris R. Brownell's Alexander Pope and the Arts of Georgian England (OUP 1978), and indeed the exhibition was done by its author. The book, let me say at once, happens to be a very good one. The exhibition, however, is not. It is instead a collection of visual footnotes virtually devoid of aesthetic impact of any form. This is something that can all too easily happen when an academic puts together an art form which is not only intended to be scholarly and informative but also to delight and entertain the general public. It is frankly worth no one's while to travel all the way to Marble Hill to see a series of indifferent engravings of Pope's villa and garden. Except for a handful of items, absolutely nothing is gained by seeing the originals, which are as well studied in the form of half-tone blocks in Professor Brownell's book.

This is not to say that the subject itself is not interesting, because it is. The Alexander Pope industry is a well-known American campus phenomenon. Pope, like Garrick, was a pioneer of public relations. If he had lived in our own century he would have been something like a cross between John Betjeman and Cecil Beaton. He was a master of self-advertisement and he would never have been out of Vogue or House and Garden. However, within the terms of his own age he *did* stupendously well, deliberately projecting himself through more portraits than any other figure in English literary history. This aspect we find admirably caught in the picture by Jonathan Richardson hung at the bottom of the staircase at Marble Hill. Painted probably for his closest friend, Henry St. John, Lord Bolingbroke, it depicts him, *in* the words of another crony, Lord Burlington, "in a mourning gown with a strange view of the garden to show the obelisk as in memory to his mother's death." It is the conventional melancholic image of the meditating poet, but it associates this with the garden and the *memorial* he *erected* to his mother in 1735 which scholars recognise to have been the emotional climax of the whole *mise-en-scène*.



'A View in Pope's Garden' by William Kent

Pope promoted himself via his portraits with a fervour reminiscent of the multifarious votive images of the Virgin Queen. Pictures established *shrines in* the houses of *friends* and admirers but the villa and garden he developed into what became a place of public pilgrimage which was eventually opened for guided tours. The villa itself was never particularly interesting. Built from 1719 onwards, Pope added the portico after 1735 with the advice of Burlington and William Kent. Walpole considered the house "small and bad" but his view must have been prejudiced. It *was* obviously *an* attractive riverside villa much like Marble Hill whose main importance lay in its endorsement of this formula in the debate as to what constituted a country retreat in opposition to the *inflated* grandeur and *prodigality* of a Blenheim or Houghton.

But the real point was always the grotto and the garden and it was into these that Pope put all his energy and money. These occupied about five acres in all. The approach was via a tunnel that took the visitor by way of *the grotto*, under the *London* Hampton Court road, out into the main garden. Pope presided over this for 25 years, forever altering and embellishing it. Considering its fame it is remarkable how little visual evidence survives (all the more reason why it fails as an exhibition). Lady Howe demolished the garden with a zeal as passionate as her destruction of the villa. The obelisk and two urns by John Vardy are all that actually survive in the present Howe garden at Amersham.

The grotto, however, was the thing. It is still there in a run-down state (I have never seen it). The palladian revival of Lord Burlington focussed on a *cult of Inigo Jones* so that it is hardly surprising that Pope's grotto, which was seminal for the grotto mania of the 18th century, revived a form which had first found expression in Caroline England at Wilton, Woburn and Albury. *Initially* conceived as *nymphaeum* on the lines of that still at Stourhead he later developed it into a reconstruction of a cave in the tin mines of Cornwall. The two delightful drawings by Kent of Pope in this grotto capture the mood exactly. The poet sits as though on a stage-set of contrived *cavernous* gloom, pondering and writing.

In much the same way the garden drew on Inigo Jones's contemporary, Sir Henry Wotton, who, in his Elements of Architecture, one of Pope's favourite works, praised gardens laid out with "a very Wilde *Regularitie*" that included "mountings and valings." And this is exactly what it must have been like. The visitor emerged from the grotto to find himself beneath the umbrella of the Shell Temple near to which there was a mound. There was a large bowling green at the centre of the grounds from which a vista led to the obelisk, the whole area being surrounded by straight and serpentine walks affording an illusion of size. There is only one drawing that actually tells us what all this was about and it is quite the most evocative item in the exhibition, Kent's view of the Shell Temple. The artist, with palette and brushes in one hand, extends an arm around Pope's shoulder while they look towards an altar in the temple ablaze with sacrifice while Venus on a shell descends by means of a rainbow. It is Kent peopling with his pen what Pope would have peopled in his mind's eye as he walked through his garden. It is the *Focus amoenus* of his *Pastorals*, the time honoured idealised landscape of the classical tradition imminent with divine epiphanies.

See what Delights in Sylvan Scenes appear!

Descending Gods have found Elysium here.

A visit to Marble Hill makes one realise that it is time that more attention was focused on these houses along our English Brenta. Ham, Chiswick, Orleans House, Marble Hill, Strawberry Hill and the *remains* of Pope's Grotto form a remarkable feast of architectural history. Another country with an autocratic ministry of culture would perhaps have drawn these together as a unit for tourist promotion and cut *across* the multiplicity of public and private ownership that at present ensures their survival but inhibits their imaginative development. The landscape surround of Marble Hill is hideously municipal for a start and surely one day that most crucial of houses, Strawberry Hill, must pass into public ownership and be restored to something of its vanished glory. If a visit to Marble Hill can bestir a few minds in that direction then the resurrection of Mr. Pope's villa will have been worth it.

Théâtre des Champs Élysées, Paris

Balanchine/Stravinsky

"There are no blind spots anywhere." So Balanchine commented upon the vitality of each measure in a Stravinsky score; and so we might describe the choreographies that Balanchine has drawn from these scores. This year's Festival d'Automne in Paris is a homage to Stravinsky, and naturally enough New York City Ballet has been invited to give a two week season to help honour its musical mentor. Looking at NYCB we see a company whose style is absolutely clear, strong. There are no blind spots; there is nothing indecisive; the outline of the dance is brilliant, uncompromising, pure. Balanchine has, in the past, referred to himself as a "cabinet maker," but watching his company I would dare to liken him to a maker of the finest machine tools, producing artists capable of extreme precision, speed, and functional integrity. Yet his dancers, like his dances, are never inexpressive, never soulless. They are rich in humanity, and at a time when society seems increasingly harried and brutalised, NYCB's dancing reasserts nobility and simplicity, those best attributes of the academic school.

Significantly, the most exciting single item that I saw in four City Ballet performances last week was Apollo, that first Stravinsky/Balanchine collaboration which, a half-century ago, signposted our balletic future. Apollo has never seemed to me more grand, more communicative than at this showing, and this despite playing by the Orchestre Colonne's strings of numbing badness—they might have been sawing wood. Apollo is now given by NYCB without the prologue that shows Leto's labour and the young god's first steps. The stage is bare. A black stool is Apollo's seat, and there is no staircase for the final ascent to Olympus. By rejecting narrative and decorative trappings, the staging suggests the action of the ballet as rite, and the activities of the dancers have acquired a greater intensity in gestural impulse concentrating in themselves the thematic elements of the story. The result was a performance more moving than any other I recall, so vivid in exposing the essence of the drama that it was at moments like watching a character ballet about classic dancing.

At curtain rise Apollo stands, lyre in hand, a figure of golden and monumental beauty in the person of Peter Martins. This would mean little, though, were it not for the fact that Martins interprets the role with a golden and monumental power. He gives Apollo a hieratic dignity, and he is meticulous in exploring all the choreography's nuances of step and accent. Suzanne Farrell was a Terpsichore born of the music, inhabiting it as if it were her natural element, finding in it the rhythmic and emotional colour that makes her a Terpsichore of the liveliest presence. No less satisfying Lourdes Lopez and Maria Calegari as her companion muses, characters effortlessly shaped, tightly focused. The new ending to the ballet shows Apollo standing at the back of the stage, attended by the muses, who take up one of the work's most celebrated poses, their legs extended in arabesque behind him. The god seems caught in a sunburst of glory.

At a second performance Ib Andersen—NYCB's most recent recruit from the Royal Danish Ballet — gave Apollo a youthful élan, an eagerness, which suggested a raw, untutored energy which is only refined in the final section of the ballet when Apollo's destiny as leader of the muses is confirmed. This brightness of manner was also seen to advantage when Andersen appeared in *Rubies* — set to Stravinsky's piano *Capriccio* — with Heather Watts as his partner and Wilhelmina Frankfurt as the other soloist. *Rubies* is fast, hard-driving, hard-edged, the most metropolitan of ballets, with moments when Broadway show-biz mannerisms are fractured, and re-set in glittering patterns. It demands tough, *martellato* dancing (Miss Frankfurt wonderful in this percussive style) and the sharpest physical utterance from its cast. Heather Watts's performance had all the crispness one could wish: Andersen's Bournonville schooling fits him for the speedy antics the male soloist is called upon to cut. If he missed something of the pugnacity that made Baryshnikov so memorable in the role, he compensates by the bounding speed he brings to the finale, when he tears about the stage accompanied by his own gang of four, then dashes across in a diagonal of leaps which he fires off like a burst of pistol shots.

Peter Martins and Suzanne Farrell

Other Balanchine/Stravinsky works on view—*Violin Concerto*, *Symphony in three movements*, *Monumentum* and *Movements*—were performed with the same excitement which we saw in London a year ago. The Divertimento from *Le Baiser de la fée* I thought more intriguing than before. It is one of a series of Balanchine works in which the choreographer is shown as *a master of romantic melancholy*. (Part of *Suite No. 3*, about which I hope to write later, is a prime example of this.) The roles created by Patricia McBride and Helgi Tomasson, which they took magnificently in Paris, contain hints rather than statements about the ballet's one-time dramatic theme. These hints—no more than passing moods—provide an emotional momentum for the work, which builds through Tomasson's shifting and oddly accented solo and McBride's fine-drawn movements as a character who is both bride and fairy, to the darkly fascinating finale when they cross the stage in quest of each other, but are doomed never to meet.

Of course any celebration of Stravinsky must include *Agon*, and it was superbly done by a cast which included Suzanne Farrell and Karin von Aroldingen, Peter Martins and Jean-Pierre Frohlich. Complex in structure, in the inter-action of its component quartets, trios, duets, *Agon* establishes its own temporal and physical dimensions, into which we enter. At the end we emerge wiser and better, stimulated by the way the dancers have raced or flirted with the music, or been held, as in the great duet, on one long breath of movement. *Agon* tells us about the possibilities and the beauties of the classic dance in our time more truly and more convincingly than almost any other ballet. It is the heart and conscience of New York City Ballet itself.

CLEMENT CRISP

Düsseldorf Schauspielhaus

As You Like It

by MICHAEL COVENEY

The Düsseldorf Schauspielhaus has introduced into its repertoire a new production of Shakespeare's *comedy—Wie es euch gefällt*—directed by Robert Sturua, designed by Georgi Alexi-Meschischwili, with music by Gia Kantschell. This redoubtable trio from the Rustaveli Theatre in Tbilisi, Georgia, form one of the most potent production teams currently at work. Their *Richard III*, a cut-up job *with a mesmeric central* performance, came to the Round House after last year's Edinburgh Festival. How successfully could the Rustaveli approach be grafted on to a given German ensemble? The question is doubly pertinent as Sturua is soon to produce Chekhov for the Oxford Playhouse.

Using a translation by Irene Commessman, the text is surprisingly complete despite an anarchic prologue and a midget ringmaster who opens proceedings by taking a bow *in* white tie and *tails* and burning a Shakespearian volume. The floor is littered with books and candles. Later Orlando (Werner R. Schnitzer) will be reading More's *Utopia*—a deliberate alternative to Sidney's *Arcadia?* —but the candies will prevail, most notably in the litanical swearing of romantic affiliations. A huge square stage is surrounded by a grey cycloramic wall. Above, a plastic canopy hovers ready to ensnare the foresters in a *sinister* hydraulic trap. The wrestling match is enveloped by it, too and, after some lethally strident music, out steps the victor.

The two Dukes, banished and usurping, are played by the one actor, Karlheinz Bohm (son of the conductor), who strikes a rich vein of character ambiguity to complement that of Rosalind/Ganymede. The bad Duke's men march on in grey uniforms and helmets. Upstage, behind the grey scrim are determined the Arden characters. A volley is released and the image crumples. In Arden, the good Duke is a smiling middle-aged hippie with a garland on his head, the leader of a precious commune that Mr. Sturua obviously finds as ludicrous as it is threatened.

That response makes the presence of Jaques an even more powerful fulcrum than usual. (The only interpretative problem arising, therefore, is that the midget becomes less justifiable as the play progresses.) Jaques (Edgar Walter) is a robust and cynical figure physically reminiscent of Sturua's Azdak in *The Caucasian Chalk Circle*. His renunciation of both the lessons of Arden and the invitation to the weddings is reinforced by a recapitulation of the gunning down of the spiritual evacuees. The liberty of the *forest* is a mirage. *Jaques* leaves the theatre via the stalls in search of the monk. Rosalind's epilogue is cut.

At the centre, there is a truly spell-binding reading of the Orlando / Ganymede scenes. Gabriele Köstler eschews all pantomime boy effects, entering the forest in great coat and boots. Every inch a woman. The long wooing scene is conducted on a worker's truck, each partner taking his turn to belt *round* the stage on it. Kantschell's music plays its part here, temporarily abandoning the jaunty music hall style to indulge in some lush Michel *Legrand* effects. It makes for tremendously exciting theatre, and one of the most blatant exhibitions of sexual ambiguity I have seen. *Other* notable acting contributions are made by Tanja von Oertzen as a prunish Celia and Alois Strempel as a bedraggled and lecherous Touchstone. A marvellous evening.

Festival Hall

RPO/Weller

by ANDREW CLEMENTS

The 18-year-old pianist Ken Noda first appeared in London at last year's South Bank Summer Music. He is a pupil of Firkusny and Barenboim, and as a composer already has five operas to his credit. The talent and technique are quite obviously there in large measure, but if his appearance on Sunday evening with the Royal Philharmonic Orchestra is a fair reflection of his playing at present, they still require a good deal of shaping and directing.

Mr. Noda played Beethoven's third piano concerto, or rather gave us parts of a number of alternative interpretations. One possibility was a very studied, precious performance that brought the slow movement almost to a standstill; another, more quirky, more interesting, threw away crucial phrases in the first movement on jagged staccatos; yet a third suggested a saner, duller middle way. Behind them is clearly a pianist with ideas, but so far without intellectual control, getting fingers around the notes is no problem at all for him.

The RPO's concert was conducted by Walter Weller, his first as the orchestra's principal conductor. Collaborations between them earlier in the year did not promise well for the longer-term partnership, but many fears must have been set aside by this programme. Apart from providing Mr. Noda with a firm platform (and valuable point of reference) for the concerto, Weller began the concert with a frantic and undeniably exciting account of the third *Leonora* overture. Some sour woodwind chording (a persistent problem), apart, the RPO responded well; the hapless performances by the New York Philharmonic in the Festival Hall last week must have hardened the resolve of the London orchestras to maintain their standards.

There were considerable stretches of Mahler's fourth symphony also that suggested that Weller's impeccable pedigree—leader of the Vienna Philharmonic and founder of one of the finest string quartets of the 1960s—had not entirely gone for nothing. There was unhappily still much to spoil the effect. The magical moments of this symphony—the violin's final statement of the first movement's main theme, the emergence of the halting bassoon counterpoint to the oboe solo in the Adagio, and the bare wind polyphony later in the same movement—were consistently disappointing. Yet the opening of the finale was authentically magical, and Elly Ameling's singing of the *Wunderhorn* lyric was a delightful appendix to her splendid Wigmore Hall recital exactly one week before.

Boucicault play

The Streets of London by Dion Boucicault, which played with such success at the Theatre Royal, Stratford East, earlier this year, will open at Her Majesty's Theatre on October 21 with previews from October 16.

It will be directed by Diane Cilento, with music by Gary Carpenter and lyrics by Ian Barnett. It is designed by Hayden Griffin and Peter Hartwell.

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Iraq's fight with Iran

WHEN Middle Eastern conflicts spill over into open fighting, it is inevitable that they will be of prime concern to both Western and Eastern powers, the more so when major oil producers are involved. The outbreak of fighting between Iraq and Iran — it is too soon to characterise it as all-out warfare — is no exception. But there is one critical difference from other Middle East wars in that neither the U.S. nor the Soviet Union can claim either country as a client state.

This has both its drawbacks and its advantages. The immediate danger is that should Moscow or Washington so wish, they are almost certainly not in an immediate position to insist on restraint, as the U.S. could perhaps have done with Israel in 1973, and the Soviet Union with Syria and to a lesser degree Egypt.

Rival sects

The current fighting is between two Moslem States and, as important, between regimes which are controlled by rival sects — the Sunni Moslems in Baghdad and the Shi'ites in Tehran. The two-year crisis in the Islamic world has as one of its main characteristics a desire to end super-power influence. The Iranian revolution has been in large part fuelled by a loathing of Western influence and values.

Iraq has sought to diminish its dependence on the Soviet Union while perhaps subtly improving its relations with other parts of the world, especially Western Europe. The reasons are complex but intimately linked to the power vacuum created in the Gulf by the ejection of Egypt from the mainstream Arab politics, the deposition of the Shah, the unwillingness of Saudi Arabia to adopt a more forceful role — and just over the horizon the Soviet Union's invasion of Afghanistan.

As ever in the Middle East it is difficult immediately to assess objectives. Military aims are necessarily tightly circumscribed by the availability of armaments. If President Saddam Hussein of Iraq intends only a limited border war with Iran, he probably calculates that he has both the weapons and the ammunition to do the job. Should these objectives be extended, either through design or by events taking on a momentum of their own, Iraq will probably have to be resupplied. It is significant that Mr. Tariq Aziz, an Iraqi deputy Premier, flew to Moscow at the weekend.

Consequences

Despite its domestic confusion, Iran must similarly be casting around for assistance although in its current state of relations with most other nations it is not easy to see where anything more than moral support can come from, unless Moscow sees particular advantage to be gained.

But even if exemplary super power restraint is shown, there is still no guarantee that it can forestall the dangerous consequences of a purely bi-lateral fight between Iraq and Iran. President Saddam Hussein and the Iranian religious leader Ayatollah Khomeini have both sworn to overthrow the other and there is no reason to doubt the sincerity of their intentions. If either is successful, or if either feels so threatened that he is pushed to more extreme action, the results can be only further instability in an already inflammable region.

This would be of particular concern to Saudi Arabia, Kuwait and the other oil-producing Gulf States which are already greatly alarmed by the impact a regional conflict might have on their own countries.

Restraint

The Soviet Union and the U.S. may not immediately have the ability to stop the fighting but they do have the potential through denying weapons and supplies to limit its extent and duration. Without that restraint an already divided and fractious Iran will be driven further down the road towards the complete break up of the State as it is known today. Such collapse would add a further totally unpredictable factor to the instability of the region and which the industrialised world depends.

Adjustment in steel

TODAY'S MEETING between Mr. Ian MacGregor, chairman of British Steel Corporation, and Sir Keith Joseph, Secretary for Industry, comes at a time when the commercial prospects facing BSC and the European steel industry as a whole are worsening. Steel demand within Europe is falling, while traditional export markets, notably in the U.S., have become much more difficult to penetrate. Despite the cutbacks which have taken place in most of the producing countries, there is still a considerable surplus of capacity. The inevitable result is a bout of price-cutting which is threatening to undermine the European Commission's efforts to preserve stability in the market. Like the BSC, most of the leading Continental steelmakers are making large losses; they are under pressure to accelerate redundancies and plant closures.

Transitional

In these circumstances both national governments and the Commission are faced with difficult political and economic dilemmas. EEC governments have taken the view that their steel industries, though certain to contract in size, should not be totally abandoned. Taxpayers' money is being used, even in West Germany, to ease the pain of adjustment and to assist with modernisation. The assumption is that a substantial basic steel industry, supplying the bulk of the domestic market, can be made viable. The danger, of course, is that transitional assistance will become permanent. It may have the effect of maintaining capacity which, without State intervention, would disappear and delay the return to equilibrium in the market. That is the complaint which German steelmakers have been making about some of their competitors.

The Commission has been seeking to maintain an orderly market through controls on imports and a system of recommended prices and production levels to give the steelmakers time in which to put their houses in order. At the same time, it has tried to discourage additions to capacity and to prevent unnecessary duplication of new investment. These policies have been only partially successful. Pricing discipline now seems to be breaking down under the impact of the recession. There is again talk of the Commission having to resort to Article 58 of the Treaty of Paris, declaring a "manifest crisis," which would involve the imposition of mandatory production ceilings.

The U.K. cannot be accused of contributing to these problems by failing to reduce capacity; the cutbacks effected over the past two years have been drastic. Yet viability for British Steel is as far away as ever and capacity is still well above current demand. Whatever happens at the European level, the British Government has to decide how large a steel industry is likely to be profitable when demand recovers, how soon profitability can be achieved and what support from the taxpayer (if any) is appropriate in the meantime. To make firm plans on the basis of a permanently depressed home market may be as unrealistic as the over-ambitious investment programme launched in the early 1970s.

Given the uncertainties about demand the BSC's plans need to be flexible. Some new investment is necessary to improve quality and productivity in half-modernised plants. Decentralisation must be pushed ahead and where possible extended to the creation of separate companies. Success in the steel business is likely to go, not to slow-moving State-owned colossi, but to companies which have low overheads and are nimble enough to respond to market opportunities; it is possible that some of the plants which are surplus to the BSC's requirements, such as Consett, could be made viable under private ownership, although the costs and risks of any such venture would be considerable.

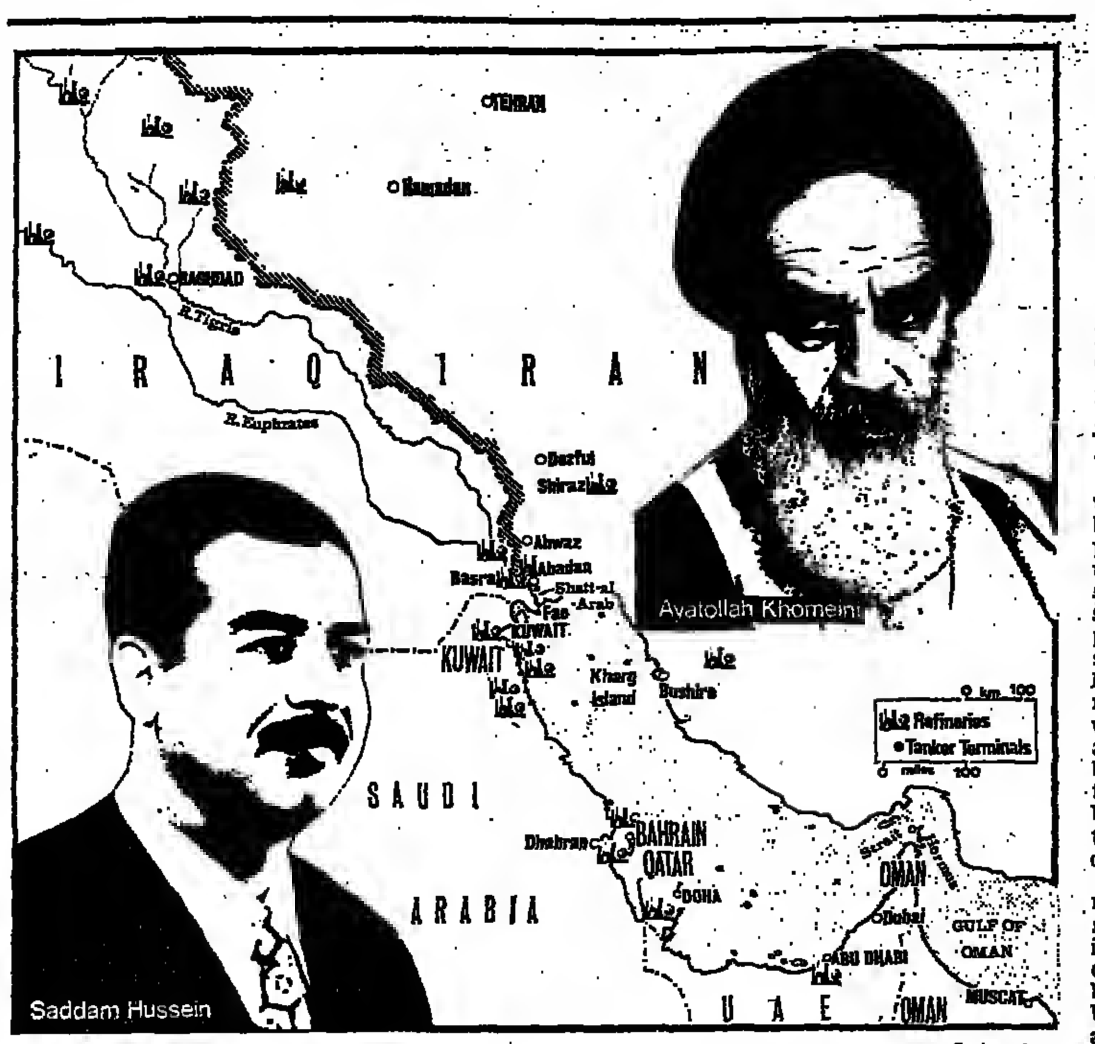
Pressures

A solution to the BSC's problems will not be found in Brussels. The UK may complain about the flouting of the Davignon guidelines by some Continental producers, but the nature of the market and the structure of the industry are such that strict discipline will always be hard to enforce. The most important role for the Commission is to keep a close watch over State aids to the steel companies and to ensure that the public funds which are made available are used for adjustment and not for propping up uneconomic capacity. Governments are justified in helping companies adjust to the pressures of the market. But unless those pressures are allowed to work, the crisis in the industry will continue indefinitely.

IRAQ AND IRAN

Old fears revived in the Gulf

JAMES BUXTON *traces the origins of the new threat to oil supplies and (below)* **ROGER MATTHEWS** *weighs up the two sides to the conflict.*



Graham Lever

WAR IN the Gulf, reports of bombing of oil installations, attacks on neutral shipping: these have been growing nightmares for the industrial world ever since it began to be dependent for energy supplies on this thinly populated, unstable and steamy part of the world.

Now, with about two-thirds of the world's oil imports originating in the Gulf and a hundred big tankers passing each day through the Strait of Hormuz at its mouth, the nightmare appears closer to becoming a reality.

Until the beginning of this year—and the growing tension between Iran and Iraq—the Gulf had, with certain exceptions, appeared peaceful. When Lloyds of London imposed a war risk surcharge on Gulf voyages in summer, 1979 the most virulent protests came from Iraq, which claimed that the action was an affront to Arab nationalism and was based on alarmist reports and rumours.

In fact the Gulf was a power vacuum from December 2, 1971 onwards, the day on which Britain finally pulled out of the Gulf. The British had treaties with the smaller Gulf states—Kuwait, Bahrain, Qatar and the sheikhdoms which are now the United Arab Emirates—and maintained a small military and naval presence which acted as a deterrent against conflict and military adventurism. Britain sent troops to Kuwait when it was threatened by Iraq in June, 1961.

In practice Iran, with its ambitious Shah, took over the role of dominant military power in the region. How powerful the Shah's forces would actually have proved in battle will never be known, but in any case Iran's *military* power crumbled after the autumn of 1978, and with it the western policy of having Gulf security largely in the hands of the Shah.

What the West has always feared is any threat to the security of oil supplies, caused by one or more producer ceasing exports (as Iran has virtually done), by damage to shipping or by the blocking of the Strait of Hormuz. There are two possible causes of threats to oil supplies: internal revolt in the oil states or war between two or more of them, possibly with outside powers becoming involved too.

Relatively little has been done to guard against either threat by the oil states, who have made themselves the guardians of their own security. Following the Iranian upheaval, there has been far more co-operation between individual Arab states on means of "limiting the spread of revolution." Many Arab states, including both Saudi Arabia and Iraq, pledged support to Bahrain, some of whose Shia majority rioted in sympathy with the Iranian revolution last summer. And the Arab states have started exchanging information on subversives. Most notably of all, Iraq made an agreement last month with its erstwhile rival, monarchist Saudi Arabia.

But all these Arab states are divided by a network of tribal jealousies, and the fabric of their societies has been distorted in ways yet to be fully understood by the impact of sudden wealth and (in all except Iraq) massive immigration.

Very little has also been done to guard against the danger of conflict between Gulf states. Initiatives aimed at reaching collective regional security pacts have failed, mainly because of the triangular rivalries between Iran, Iraq and the other Arab states.

The key issue has been whether outside powers should become involved. Shipping is protected by no more than the usual maritime law and the *small* navies of individual states. Last autumn Oman proposed that the Strait of Hormuz should be protected by some kind of joint force consisting mainly of minesweepers in which both the regional states and the western countries would be involved. But the very mention of outside involvement brought total condemnation of the plan by Iraq and it foundered.

While the Arab states of the region, excepting Iraq, believe at the back of their minds that in the last resort the U.S. will come to their rescue, they also believe that the presence of U.S. forces on their soil might actually precipitate the internal strife they want to avoid. Only Oman has now agreed to allow the U.S. *to use military facilities* in the Sultanate (which stands outside the Gulf), in certain circumstances — and it wishes the Carter Administration would stop boasting about it.

So the Strait of Hormuz is theoretically vulnerable and is graced by the presence of Omani patrol boats, a permanent Russian warship and the occasional U.S. ship. It would in fact be virtually impossible physically to block the strait which is wide and deep, but it is a choke point where anyone who wanted to threaten and scare off shipping—the Iraqi or Iranian navies for example—would do so.

So far the *fighting* between Iran and Iraq has been confined largely to the two states' border zones. Since Iran is only producing about 1.5m b/d of oil and products, of which about half is exported, any damage to the installations or stoppage of production will not make much immediate difference to the Western countries, which are barely importing from Iran anyway.

More than half Iraq's output of 3.6m b/d comes from the Basrah area, close to the Shatt al Arab River, though the Kirkuk fields in the north are little more than 100 miles from the border of Iranian Kurdistan. If exports via the Iraqi terminal of Fao at the mouth of the Shatt al Arab were cut off, two thirds of Iraqi production could theoretically be diverted to the Mediterranean via the strategic pipeline running between north and south and then via a pipeline through Turkey.

It could be argued that a swift knockout blow to the Iranian armed forces by Iraq would blunt the strength of the Iranian revolution and severely reduce the danger of revolutionary canker spreading further in the region, especially more deeply into Iraq itself. This is probably Baghdad's intention—to impose its own order and stability on confusion.

The danger *is that the* fighting could be prolonged or that Iraq's ambitions may be fuelled further—to take the Iranian oilfields for example. In *that* case the Soviet Union might well choose to make its power and influence felt.

Baghdad's strong man plays a risky game

WHEN Mr. Saddam Hussein took over the Presidency of Iraq last year he may have been unclear in his own mind when he would move against the Iranians. However Ayatollah Khomeini probably did much to make up his mind with his blatant public attempts to export his Shi'ite Moslem revolution across the border.

The Iraqi ruling group is almost totally Sunni Moslem. It does not claim any strongly religious basis, but it is totally opposed to any attempt to stir up its own 50 per cent Shia population.

The extent of the past week's fighting is almost certainly an indication of how deeply the Iraqis feel the threat. President Saddam Hussein's regime has not been noted for the gentleness with which it handles opponents and Amnesty International, the British-based human rights organisation, has reported that political deaths in Iraq have averaged 100 a year for the past five years. Some 21 members of the regime were executed last summer for alleged plotting against Mr. Saddam Hussein, soon after he took over the Presidency.

Mr. Tariq Aziz, a deputy premier and one of the President's most trusted aides, narrowly escaped assassination allegedly at the hands of Iranians a few months ago, and there have been persistent reports of other subversive activity in Baghdad.

All Middle Eastern leaders have their long-term aspirations and Mr. Saddam Hussein is no exception. But in common with other Arab leaders he is most strongly motivated when he sees an external or internal threat to his regime.

When Vice-President of Iraq in 1975, and the government's "strong man," he was virtually forced into signing an agreement with the late Shah of Iran which surrendered part of Iraqi control over the vital Shatt al-Arab waterway. In return the Shah abandoned his support for the dissident Kurds who were causing such trouble for Baghdad.

The collapse of the Kurds was at that time more than sufficient recompense for Saddam Hussein. The immediate threat to the security of his Ba'athist regime was removed and the "slap on Iraqi pride" caused by the loss of control over Shatt al-Arab could safely be left for the future.

Now the threat is from Iran itself. The Iraqi president is reliably reported to loathe the Ayatollah and the importance of personal antagonisms in the Middle East should not be underestimated. The Baghdad regime may well have calculated that if it is to be a struggle to the death between the two governments he who strikes *first* and hardest is most likely to win.

When action is taken for this reason other policy objectives tend to take second place, even when it appears that long term damage may be done to those aims. Thus Mr. Saddam Hussein is willing to risk a great deal in order to secure his own domestic position.

Iraq has already greatly improved its position in the Gulf region with the collapse of the Shah's regime and through President Anwar Sadat's peace treaty with Israel. On the one hand the Iranian revolution sent shock waves through the mainly conservative Gulf states, notably Saudi Arabia, and on the other hand the departure of Egypt from its arguable position as Arab leader left a vacuum that needed to be filled.

Despite the revolutionary Arab socialism of the Ba'athist regime in Baghdad, Iraq found that Saudi Arabia's nervousness over events in Iran could provide the basis for a closer relationship. Its substantial oil wealth also meant that it was in a strong position to influence such relatively poor countries as Jordan, which also might eventually provide another important outlet to the sea. Shatt al-Arab is currently Iraq's only sea border.

Oil wealth meant also that Iraq could put some distance between itself and the Soviet Union while espousing the goal of Arab nationalism and unity on its own terms. In line with this policy Iraq turned increasingly to Western Europe for arms while its revolutionary socialism has *not* prevented *some commercial* dealings with the publicly despised United States.

The risks that Mr. Saddam Hussein is running are substantial. It is still too early to guess whether he is working to a pre-ordained plan or whether events are carrying him beyond his initially stated objectives which were the "liberation" of some 200 square miles of border territory.

But should the Iraqi leader now be tempted to go for what some observers believe to be the second stage—that is the seizure of the three Iranian controlled but disputed islands at the mouth of the Gulf — the conflict and its repercussions could escalate more dangerously.

Although Mr. Saddam Hussein may be confident that he has some degree of military superiority, his three services are scarcely battle-hardened and there must be speculation about the future for military discipline when Shi'ite troops are called to fire on *other Shi'ites*, especially in any longer campaign.

Iraq is, moreover, a land-locked country, with the exception of Shatt al-Arab, and cannot be sure that the Syrians with whom they are at loggerheads *would* not cut off the oil pipelines to the Mediterranean coast.

And there is certainly no way that Mr. Saddam Hussein can guarantee that even the depleted and relatively poorly *disciplined Iranian forces* cannot deal telling blows at his own oil installations.

If the fighting can be contained—or if the Iranians lose heart and do not put up much of a struggle — Iraq and its President could emerge with increased influence in the Gulf. Certainly they will be more greatly feared.

MEN AND MATTERS

What odds a best-seller?

Trailing his coat through London yesterday, and trading heavily on his reputation as the world's most successful stock market analyst, came the awesome Joseph E. Granville.

Giving freely of his wisdom—he does not charge for talks, he said, because two hours before an audience will generally yield $60,000 in subscriptions—he reminded City listeners of his impressive record. A friendly mathematics professor, he claimed, has worked out that the odds against anyone calling the turns in Wall Street with his accuracy are around 6bn to one. For the moment he is confident that the Dow index, is headed up towards 1,050 or so, from which level it will fall for two years.

Timing of the tumble, naturally, depends on the date of the next Granville "sell" recommendation — probably around the turn of the year—which will cause the first 100-point one-day fall.

Not all the audience, however, showed the respect plainly due to the guru of Wall Street. Several seats emptied at his uncomplimentary remarks about fund managers and the recommendation that all fundamental stock market research departments should be closed down since they were "pure garbage."

While confidently awaiting the Nobel Prize for Economics ("for licking the stock market enigma") Granville is working on his novel. Titled The Bagholders, it involves a Kremlin plot to provoke a crisis in capitalism by buying up U.S. common stocks and then dumping them. The Bear, however, gets hooked on dividend income and holds on too long though an unaccountable failure to subscribe to a certain market letter.

"This is a work of fiction," breezes the ineffable Granville, "but I am the central character."

Plugging in

Flying less flamboyant colours and seeking help rather than doling out pearls of States-side wisdom, comes William McCollam Jr., president of the Edison Electric Institute, the association representing the U.S. electricity supply business.

Three-quarters privately owned and once rating blue-chip status, his industry is in trouble, he tells me. Suffering under a "tyranny of minorities," he says power has been offering only 11 per cent return on common equity in the last couple of years when it has needed to make 14 to 15 per cent to compete in capital markets.

At the root of his difficulties are the groups which seek to proscribe nuclear energy, hobble coal with anti-pollution controls and at the same time keep electricity prices so low that the industry cannot afford to build new plant of any kind.

"I'm struck by the similarity of our problems," he tells me. He believes we can certainly teach the U.S. something about polishing up the image of nuclear power and, above all, he feels he has a lot to learn in Britain about "what it feels like to live with a lot of Government interference."

Getting to grips

The ten millionth Black and Decker Workmate—the invention that enables the most fumble-fingered handyman to get to grips with his wife's home improvement ideas—rolls off the production lines next month.

Its inventor, Ron Hickman, and the company will shortly afterwards embark on their eleventh international legal battle to protect their innovation from imitation. A Baltimore jury is set to hear their case in November against Sears Roebuck, the U.S. mail order company, which has been selling a rival Workbuddy.

Hickman, former design director for Lotus, tells me the preliminary skirmishes have already cost more than £500,000. It has taken 18 months to decide that the trial should be held in Maryland rather than Missouri or North Carolina.

With nine successful law suits under his belt, and another outstanding against the German giant, AEG Telefunken, Hickman's litigious experience illustrates just one of the many obstacles that stand in the way of the British inventive renaissance sought by Margaret Thatcher and Prince Charles as a solution to our troubles.

Hickman's career provides more examples. He got the idea for the Workmate in 1961 while doing-it-himself and sawing a chunk off the chair he used as a work bench.

He left Lotus six years later to develop his notion which was promptly rejected by half a dozen British companies, Black and Decker, and four other U.S. concerns. Hickman went into production himself for four years before B and D returned to form the present profitable alliance. Now exiled in Jersey—further evidence of the problems that follow success—Hickman's fertile mind still flourishes. "Almost anything can be made simpler," he says . . . and hopes to demonstrate it soon with a new multi-purpose labour-saving device for the housewife.

Swan song

Marked for culling last year by Transport Minister Norman Fowler, on the say-so of quango stalker Sir Leo Pliatzky, the National Ports Council is determined that its 16-year working life should not pass unmarked.

It has commissioned Dr. Graham Wilson, lecturer in government at Essex University, to write a 50,000-word history of what one council member describes as "a rather special experiment in public administration."

And although it is still peeved at the alacrity with which Fowler swung the axe—"Pliatzky had the benefit of all of 10 minutes' conversation on which to base his recommendation"—the council insists that it is in reflective rather than recriminatory mood as it prepares its last words.

"It's rather like being called in to do one of those emergency archaeological digs in the City before the bulldozers move in with a new tower block," says Wilson, who has a few months to delve into the archives. "But instead of being buried under 12 feet of concrete, the *information* is much more likely to be sentenced to 30 years in the Public Records Office."

First things first

Heard from a mother collecting her child from the infants' school: "The only thing my Tony's learned in his first week is that the other kids get more pocket money."

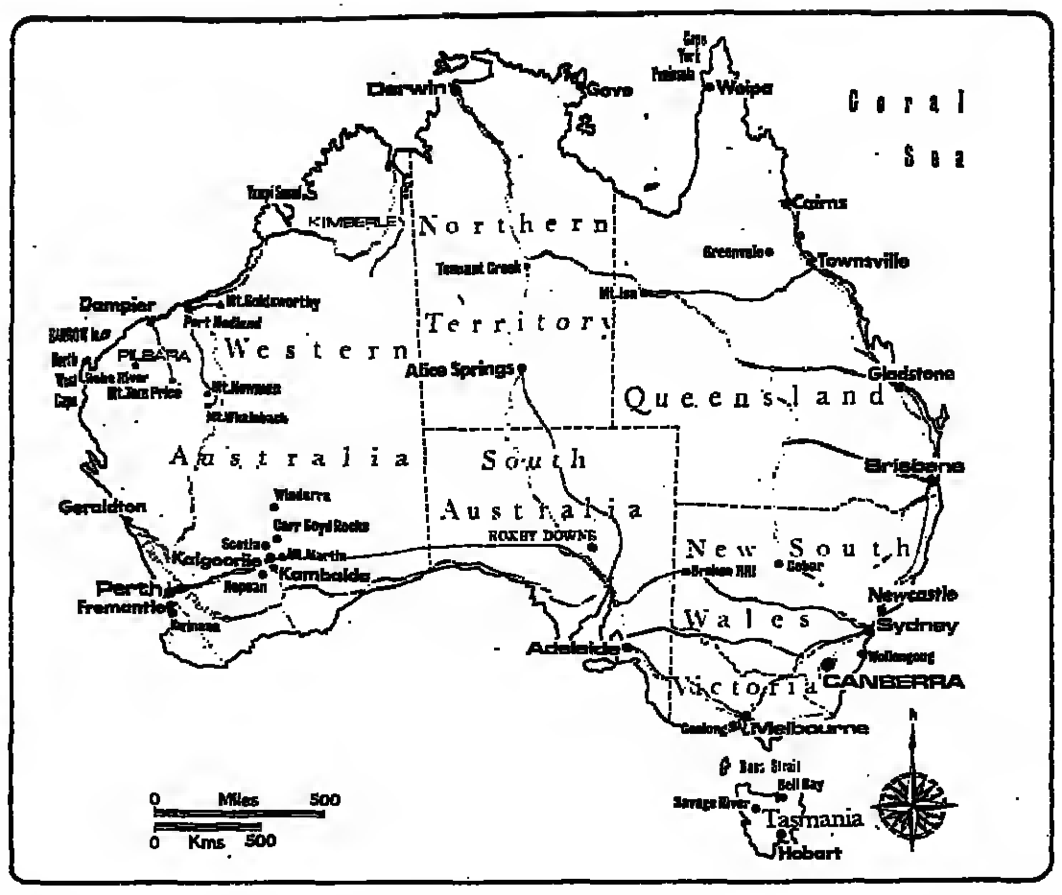
"We've been given time off to learn God Bless America"

Observer

FINANCIAL TIMES SURVEY

Tuesday, September 23 1980

Australia



Australia in the 'eighties could become the El Dorado of the Southern Pacific. But the successful harnessing of mineral wealth to abundant energy poses problems of institutional change and a challenge to the country's political will. Key decisions await the outcome of elections next month.

Difficult decisions must be made

By Anthony Robinson

"AUSTRALIA, were it bold and determined enough, could face a brilliant future. But it is more likely to be satisfied with mediocrity than aspire to excellence. Even so, it will still remain a marvellous place to live for most Australians—and the envy of many people elsewhere."

This somewhat cynical assessment, by a Sydney investment adviser with access to the ear of politicians, as well as the financial community, sums up much of the perplexity with which many thinking Australians are facing a decade which promises great prosperity, but also many complex problems of adjustment.

It also reflects the scepticism born of the rather depressing experience of the past five years during which the standard of living of most Australians has stagnated. This is the time it took to eliminate the wage/productivity overhang bequeathed by the Labor Governments of the early 1970s which, for all their exhilarating slaughter of sacred cows and social experimentation, managed the economy very badly indeed. These have been rather frustrating years of marking time. If this was the end result of the much-heralded minerals boom of the 1960s, many Australians are asking themselves, why get excited about the much-heralded 1980s boom? It too could end with a whimper.

The fact is, however, that a minerals/energy boom, spearheaded by coal, uranium and aluminium, is now clearly getting under way. The size of the boom—and its eventual benefits to the rest of the economy—will depend on decisions which still have to be taken.

Other countries also have rich mineral deposits to be exploited. Construction costs in the Australian outback at Australian wage levels are very high. So are the risks of disruption through industrial disputes. These are among the limiting factors. That said, however, Australia also has some undoubted and substantial advantages. These include the sheer size and richness of its mineral and energy wealth, its proximity to the fast growing Asian market and the country's basic political stability and developed society.

It is also, in many ways, an extraordinarily pleasant country in which to live and operate. Life for the average Australian can be very comfortable. It is even better for the affluent middle class, with their yachts, harbour view houses and barbecue parties on warm nights. The country itself is vast, with a haunting beauty, all its own. The beaches are legendary, the wine is cheap and excellent, the food likewise.

Old myth

What is more, if ever the myth about Australia being "a cultural desert" were true, it is arguably not the case any more. Australian films, paintings and literature reach out increasingly beyond Australia to international recognition. Much modern architecture is bold in conception and well executed — the Sydney Opera House is but one example.

Furthermore, greater sensitivity to the often tragic consequences of Aboriginal man's contact with white Anglo-Saxon *colonialism and 20th century* technology has also developed, in some sectors of the community at least.

Increasingly, Australia has become a multi-ethnic society and the vices and virtues of the former white Anglo-saxon dominated Australia of the past have been subtly changed by the influx of other European and increasingly Asian immigrants. More than 70,000 refugees from Vietnam were accepted into Australia last year alone.

At the same time, however, life has been increasingly difficult for a growing sector of Australian society during the past five years. The hardest hit have been the weakest elements in society. Unemployment stands at just under 6 per cent of the labour force — and many thousands more have simply dropped out of the labour market — and the official statistics.

Unemployment has hit hardest at the young, women, immigrants and the unskilled. It has been exacerbated by continuing inflation and technological change which threatens to run even faster in the decade ahead.

Social attitudes to unemployment have also changed with the Government encouraging the idea that many of the unemployed are simply "dole bludgers." Crime, alcoholism, drug addiction and violence have been rising. Organised crime has infiltrated local politics and even part of the banking system.

Australian society has become more complex, less egalitarian and, in some ways, less sure of itself. Even for those, the great majority, who enjoy full employment average real incomes are only starting to rise appreciably now after five years stagnation. There is little doubt that Australia, given its resources and potential could and should have done much better.

The die has not yet been cast over the course of the 1980s. A general election in the house of representatives and elections for renewal of half the Senate take place this autumn. The Liberal/Country Party coalition headed by the Prime Minister, Mr. Malcolm Fraser is expected to campaign as the party of economic responsibility at home and security abroad.

Labor stands as the party of compassion and fair dinkum. Attempts will undoubtedly be made to portray Labor as the party which bungled the last boom and is not to be trusted with the next. The coalition on *the other hand will claim to* possess the confidence of investors overseas and business and farmers at home, to be the party of lower taxes, balanced budgets and smaller government.

Separating myth from reality is always difficult and especially so at election time. But there is considerable evidence to show that it was the Liberal/Country Coalition, racked by internal feuding, which presided over the last bust-boom. Labor's mistake was not to recognise the good times were over until it was too late. One man who *did* recognise it was Mr. Bill Hayden, who brought down the last Labor budget in 1975. He is now leader of the Opposition, flanked by two of Australia's most respected political figures —former union leader, Mr. Bob Hawke, and the New South Wales Premier, Mr. Neville Wran.

Labor learnt a lot in the traumatic last few months of the Whitlam Government and during five years of opposition. Its election promises this year are modest — an extra A$300m for poorer families, for example, and some of its more controversial programmes — such as the institution of a resource rent tax—appear to be largely a variant of the Government's own coal and oil levy policy. If anything, Labor appears to be bending over backwards to appear reasonable and modest in its proposals so as to distance itself as far as possible from comparisons with the "all-singing, all-dancing" image which swept the Whitlam Government to power on a wave of popular enthusiasm in 1972.

People's choice

The risk here, of course, is that faced with a choice between Tweedle-dum and Tweedle-dee, the electorate will stick with the present Government which, in spite of all the rhetoric about small Government and so on, has kept Government spending at a high level and is committed to heavier spending on defence, health and social welfare.

What is highly questionable, however, is whether the ensuing election campaign will address itself to the real choices facing Australia during the next decade, and the difficult choices which will have to be made if the huge potential opportunities of this decade are to be fully grasped.

The hardest choice of all perhaps concerns the future of Australia's protectionist policy, under which much of Australian industry was developed to serve a fragmented market of only 14m people. Tariffs have been steadily reduced in recent years and thousands of jobs have been lost in areas such as textiles, shoes, electrical and other consumer goods.

But much greater boldness will be required on the tariff front in future because, in the words of the Treasury, Australia's future success depends as much on *its success* in importing as success in exporting. Without liberalised imports, Australia faces the problems of rising inflation and an appreciating currency in the years ahead, as capital flows in to finance mineral and energy development projects, which in turn will generate a substantial increase in export revenue.

Reduced tariffs, so this argument goes, will reduce inflationary pressures and lower input costs to the most efficient areas of the economy which will then be able to expand.

The mineral/energy boom itself will provide several thousand new jobs directly and many more through the multiplier effect. A recent survey in West Australia for example showed that 90 per cent of equipment used in the mining industry there was locally pro-

CONTINUED ON NEXT PAGE

ECONOMY (I): THE OVERVIEW

Minerals and energy point way to a decade of growth

AFTER FIVE painful and frustrating years of low economic growth and struggle against inflation, Australia is now gearing up for what could be a decade or more of mioeral/energy development-led growth. But the Government's relative failure to match its rhetoric with decisive action in the field of lower Government speuding and structural change means that some bold and controversial decisions will be required after the elections if the full potential is to be realised.

The most *difficult* decisions are pending in the field of tariffs and quotas. These will bave to be substantially cut over a relatively short period according to a coofidential report prepared by the Treasury, the Reserve Bank and Industry which was leaked to the Labor party and subsequently tabled in Parliament by the Treasurer, Mr. Joho Howard, last month.

Significant reforms in Australia's hidebound finaocial iostitutions will also be required in order to encourage higher Australian investment in its own mineral / energy development, according to the interim report of the Campbell Committee set up to investigate the workiog of the financial system.

Further changes will also be required in the highly charged area of labour relations and incomes policy if growing inflationary pressures and looming skilled worker bottlenecks are to be avoided.

With unemployment still around 6 per cent, despite the creation of some 220,000 oew jobs last year, plans are now afoot to step up the immigratioo of skilled tradesmen. But these will face uoion resistance unless greater effort is made to step up the number of domestic apprenticesbips and worker training programmes.

One of the fears most commooly expressed by industralists and Government economists alike is that the increased demaod for skilled constructiou and metal workers io mining and infrastructure projects will lead to rapid increases in their wage rates. This will then be transmitted throughout the system, failing reform of the present method of ceotralised wage bargaining as institutiooalised through the Arbitration Commission. This sets mioimum wages nationally on a bi-annual basis and is believed to have been a major factor in a marked flattening of wage differentials which has had a disincentive effect on skilled workers.

The likelibood of skilled labour bottlenecks was singled out in the latest OECD report on Australia as one of the most likely constraints. A receot report by the Australian Industries Development Association also warned against the facile assumption that Australia would be able to cope easily with development on the scale now being talked about.

Airy talk

Some semi-official estimates of the scale of the iovestment *boom ahead talk airily* in terms of A$80bo over the decade. The latest official estimates put out by the Department of Industry and Commerce io June put the total of projects under way or at an advanced stage of planning at A$29bo.

Even this latter figure, however, is coosidered totally unrealistic—by mining industry economists in particular. They point to the 10 years oeeded to get the present coal mines into full operation and believe that considerable discipline and selectioo of projects will be required if excessive hunching of projects is to be avoided.

The pre-conditions for a resumptioo of minerals and eoergy led growth exist primarily in the vast and cheap coal resources of Queensland, New South Wales and to a lesser extent South Australia, plus gas off the North West shelf, domestic oil and uranium.

Higher world eoergy prices, coupled with Australia's abundant energy and bauxite supplies, have ensured that the heart of the 1980's resources boom will be the rapid expansion of aluminum smelting and the further processing and refining of Australia's other mineral resources.

Some 18 large coal-fired electricity power stations and five aluminium smelters and associated infrastructure are already either under constructioo or an advanced stage of planning.

Elsewhere, massive investment is earmarked for developmeot of the Rundle oil shale deposits in Queensland and the rich multi-ore body discovered at Roxby Downs and Olympic Dam in South Australia.

Heavy exploration investment by Australian and multinational mining compaoies continues to discover new and potentially commercial mioeral deposits. These serve to underline the vast potential for future development way ioto the 21st century.

As if that were not enougb, high world prices for Australia's principal agricultural exports—wool, grain, sugar and beef—seem set to ensure another good year for what is still Australia's major export sector.

This is the overall, broad-brush picture of Australia which has sent stockbrokers around the world reaching for their superlatives and pursuaded investmeot fund maoagers to re-adjust their portfolios to include a rising proportion of Australian resource and anergy based stocks.

Their confidence reflects the OECD's own favourable loog-term assessment of Australia's future position as one of the world's major net energy exporters.

But the pace of development and, above all, the degree of benefit to the economy as a whole, will depend oo the outcome of cboices and decisions which have yet to be squarely faced. Ooe of the clearest analyses of the policy dilemmas posed by the forthcoming boom was made last year by the Treasury Secretary, Mr. John Stone.

He started from the assumption that Austraia would require substantial foreigo capital inflows to assist in development which in turn implied a matching current account deficit.

In physical terms, this means that Australia will be obliged to import more as its exports of minerals rise. The challenge facing Australia according to the Stone analysis is to ensure that Australia becomes as successful in importing as it is destined to become in exporting.

On this view, the best way of maximising the benefit from Australia's situation would be selectively to reduce protection on the least competitive Australian industries. These happen to be the politically sensitive labour-intensive textile, shoe, automobile and other consumer industries. Lower protection would raise unemployment in the short term. It would also lead to cheaper imports and reduce the input costs of the more efficient farming and industrial sectors.

In this way, new jobs would be created and new opportunities for growth opened up for the most efficient areas of the Australian economy.

Failing this, Australia would find itself faced with both an appreciating exchange rate—which would reduce the competitiveness of all Australian producers indiscriminately and an increase in the domestic money supply. This would reduce competitiveness through a rise in domestic inflation. These forces would have the same long term effect of giving Australia a current account deficit corresponding to its net capital inflow—but at a much lower level of overall economic activity, investment and prosperity—and higher inflation.

On this analysis, a combination of large capital inflows from abroad, coupled with imports of skilled labour, in the context of a selective, but substantial dismantling, of tariff and quota protection is the correct formula for ensuring: (a) the quickest and most efficient development of the new mining and energy resources and infrastructure; (b) greater efficiency in the economy as a whole and; (c) the highest real increase in employment and living standards in the long run, through cheaper imports and higher productivity.

The other vital ingredient in the policy mix advocated by the Treasury is lower Government spending from which would flow lower taxes, higher consumer choice, greater profits for efficient producers and less pressure on financial markets and interest rates.

Policies aimed in this direction would also increase the supply of domestic capital, which if it could be directed into investment in Australia's own mineral/resource development would reduce the need for foreign investment and also the political paranoia about presumed exploitation by "the multinationals."

Mortgage funds

Mr. Stone himself is sceptical about the scope for higher Australian investment — but the question of how to increase Australian participation in its own development was addressed by the Campbell Committee. Its final conclusions will not be ready until next year. But it is already clear that it is likely to suggest changes in the present system which ensures that the vast bulk of Australian private investment is channelled into house and land purchase and consumer durables. This is due to privileged access to longterm, cheap mortgage funds and non-bank finance houses.

The interim report makes quite clear that less Government regulation and interference, greater competition, in part through the entry of foreign banks, and more reliance on market mechanisms will be needed to inject greater efficiency into the system and encourage investment in equities and other instruments directly related to resource and productive investment.

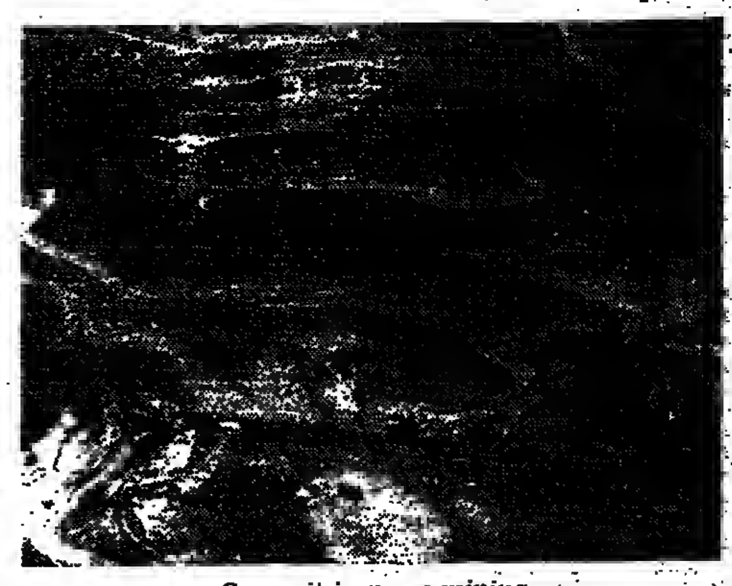
Meanwhile, back in the real world of three-year parliaments, militant trade unions, lobby groups, and competition for funds and investment projects between the states, the hard choices expected of the Fraser Government have not materialised. The oil levy and petroleum taxes have boosted revenue, aided by the fiscal drag which has allowed inflation to push taxpayers into high tax brackets despite early promises to fully index tax rates.

Promised cuts in Government expenditure and taxes have not been made. Spending on social welfare, health and education still accounts for a similar proportion as that under the Whitlam Labor Government. The full Public Sector Borrowing Requirement furthermore is being boosted by heavy investment by the States in infrastructure development.

Inflation has moved back to 10 per cent from 8 per cent in 1979 and is expected to rise further as higher investment works its way through into a stronger demand for labour and pressure on other resources.

The downturn in the international economy is also expected to have a dampening effect on overseas demand. At the moment there is still the feeling that a boom is around the corner. But the hard decisions which will determine Australia's economic performance in the 1980s still have to be made.

Anthony Robinson



Open-pit iron ore mining

BASIC STATISTICS

Area	7,682,300 sq. kms.
Population	14.42m
GDP	A$108.15bn (US$120.9bn)
Per capita	A$7,500 (US$8,384)
Trade (1979)	
Imports	US$16,187m
Exports	US$18,792m
Imports from UK	£839.9m
Exports to UK	£474.9m
Currency:	A$2.0425=£1 sterling

Difficult decisions

CONTINUED FROM PREVIOUS PAGE

duced. Many thousands will be employed in the vast infrastructure development programmes to build new ports, railways, power stations, mines and coal loaders.

Already, skilled labour shortages are developing and improved labour re-training and apprenticeship schemes will be required to ease the transfer of labour from former protected areas to the new growth areas of the economy.

Given Australia's resources and potential, the country could and should be a full employment economy with high real incomes, growth and domestic capital formation. Soundly-based economic expansion during the next decade could revolutionise both Australia's own economic situation, together with its standing in Asia and the world. But there is little sign that the present political leaders, of either party, are really capable of inspiring Australia to greater things.

This is partly a reflection of the fact that there is no real coosensus within this vast country as what Australia should really try to be. Australia has been described as a series of Pacific islands—the five main coastal cities where 80 per cent of Australians live—surrounded by an ocean of land. *Partly because of this* "tyranny of distance" and small population the various States are powerful in their own right and attract strong local loyalties.

This sometimes makes it difficult to think in terms of overall national objectives. Labour unions are fragmented and organised along mainly British craft union lines. Parliamentary terms are only three years, and this, too, makes it hard for politicians to raise their sights beyond the next election.

Australia's financial institutions are also largely inappropriate to the capital requirements of a capital-hungry minerals and resource sector. Most Australians view the stock market as they view the oational lottery—but with less respect.

But perhaps the real difficulty facing Australia is the very human reluctance to take difficult decisions unless there are very clear and pressing reasons to do so. Even if Australia *muddled along* without tackling some of the institutional and political problems outlined above, it could still survive through the next decade, while enjoying a good living "off the back of a sheep and the coal truck."

Partners

In so doing, however, it would inevitably fall further behind its trading and defence partners in Asia and elsewhere. Compared with the rate of economic, technological and political change elsewhere in the Pacific region over the last decade Australia has stood relatively still behind its tariff barriers and natural wealth. Low economic growth and a strike record which has damaged the country's reputation as a reliable supplier have compounded the problem.

Over the next decade, Australia faces opportunities of which most other countries, with fewer natural advantages and more people to share them, can only dream. If Australia grasps these opportunities fully it could increase its own wealth, while at the same time contributing greatly to the general prosperity of the whole Pacific region and its general standing in the world.

If not, it risks becoming "irrelevant" to its Asean partners — as Singapore's Prime Minister, Mr. Lee Kuan Yew angrily told Mr. Fraser after this month's Commonwealth regional conference — and the object of increasing pressures from its other trading partners, too.

General election next month

AUSTRALIA is heading for a general election on October 18 without much apparent enthusiasm for either of the two major political parties which, in turn, are offering little to inspire the country.

The Liberal-National Country Party coalition, headed by the Prime Minister, Mr. Malcolm Fraser, is claiming credit for having gradually weaned the country back to economic solvency.

Backed up by warnings from the OECD, and other august bodies, that a repeat performance of the 1974 wage/price explosion would undo all the sacrifices of the last five years, the Government is portraying itself as the champion of financial stringency and low inflation at home and a vigilant guard against Communist expansionism abroad.

The conventional wisdom in the Canberra political bothouse, big-city board-rooms and even trade union headquarters, is that the odds still favour the return of another Liberal-National Country Party coalition government for the next three years, albeit with a reduced majority and, possibly, with a hostile or deadlocked Senate.

Half the Senate seats come up for re-election this time and any swing to Labor, or the Democratic Party of Senator Don Chipp, is likely on past performance to be more marked in the distribution of Senate preferences. Mr. Fraser is credited with having provoked Senators by his insensitive handling of several recent Senate appointments and the apparent downgrading of the second chamber.

Strong record

As Prime Minister, Mr. Malcolm Fraser's strongest asset is his proven election-winning record. He trounced Labor at the polls in December 1975 to win a record 55 seats and he repeated the performance with an early election in December 1977, when he was returned with a 48-seat majority in the 124-seat Chamber of Representatives.

After his second defeat in a row, the formerly charismatic Labor leader, Mr. Gough Whitlam, resigned. The leadership of the dispirited Labor rump in Parliament, and the country, fell to Mr. Bill Hayden, an ex-policeman and economist from Queensland.

Decent, approachable and compassionate are some of the adjectives used to describe Mr. Hayden, whose personality stands in marked contrast to the angular, aloof and rasping style of Mr. Fraser—a man who knows the political jugular when he sees it.

One of Mr. Fraser's closest colleagues in the Senate insists, however, that what passes for Mr. Fraser's arrogance is actually shyness and that, should Mr. Fraser be returned to power at this election, he could well mellow into a Menzies-type leader, capable of creating the sort of consensus which Australia enjoyed through what is now seen, in retrospect, as the relatively untroubled and confident 'fifties and 'sixties.

There is little sign of this at present, however.

Labor has recently been heartened by opinion polls, commissioned, it should be said, by the Labor Party itself, which show that while Mr. Fraser scores high on leadership compared with the self-effacing Mr. Hayden, the Labor leader is well ahead, in terms of his closeness to the people, political credibility, moderation and TV showmanship. He even scores marginally better on economic management — an important point on an election which is expected to be fought largely on economic issues.

Labor, furthermore, intends to fight this election with a leadership team comprising Mr. Hayden, flanked by Mr. Bob Hawke, the flamboyant former president of the Australian Council of Trades Unions (ACTU) and Mr. Neville Wran, the new president of the Party. As Labor Premier of the country's most populous State, New South Wales, Mr. Wran has earned a reputation for sound economic management and fiscal caution.

The three musketeers, as they were recently portrayed in the Press, intend to lead their campaign with an attack on the Liberal Party's "broken electoral promises."

These issues range from the dismemberment of the Medibank health security scheme to unfilled pledges to cut income taxes, fully index wages and drastically reduce inflation.

Labor claims that far from being the party of low taxes, low spending and a lower government profile, the Liberals have actually proved to be both high taxers and big spenders.

Echoes of such criticism can also be heard in many a board room where the Government, although it is preferred by business circles, is felt to have been long on the rhetoric of smaller government, but short on substance.

It has not been bold enough, either to cut Government expenditure (of which over 60 per cent is in any case committed to the states or index-linked to inflation), or tariffs in any meaningful way. Failing this, progress in cutting inflation has been slow, while economic activity has been generally sluggish. This has led to growing unemployment and slow progress in the vital area of infrastructure development and, above all, the shift of industry away from the inefficient, tariff protected structure inherited from the past.

With an election looming, Mr. Fraser recently refused to accept the advice of a Royal Commission and reduce protection on textiles and shoes.

Whoever wins the next election, however, will face the problem and reap the opportunities offered by what looks like becoming a major minerals and energy development boom throughout the decade.

The projected mining boom looks like creating a series of major political dilemmas and is far from being the unalloyed opportunity which it appears to many outside Australia.

Many Australians appear to have become deeply sceptical about the likely benefits they will receive from such development. One of the most important decisions made by the Fraser Government was that of introducing world parity pricing for domestically produced oil which covers nearly 70 per cent of the nation's requirements.

The Government argues strongly that this is vital if energy is to be used efficiently and to develop alternative energy sources, such as the Rundle Shale oil project. But what strikes the average Australian voter, commuting many miles each day from the far flung suburbs, is the effect on his standard of living of what is, in effect, a large increase in indirect taxation. This hits all consumers, irrespective of their income and capacity to pay. Higher taxation, less than full inflation indexing of wages and slow growth have kept average living standards virtually stagnant for nearly five years.

Now the signs of pressure for higher wages are growing and threaten to spiral rapidly if, as expected, the projected minerals boom causes severe bottlenecks in the supply of skilled labour.

The Labor Party leadership argues that this can only be headed off by policies aimed at bringing the unions more closely into the economic decision-making process, and ensuring that the expected mineral wealth is seen to be filtering back through to the community.

Party's aim

Labor's recipe for all this is centred on the institution of the so-called resources rent tax, or "super profits tax," which, in the first instance, would substitute for the present oil levy and subsequently be introduced into other areas. The party is also planning the creation of a State Hydrocarbons Corporation, modelled on the lines of BNOC or Norway's Statoil.

All this is, of course, anathema to the Liberals who point to the negative impression this will have on foreign investors who are currently fuelling a strong bull market on the stock exchanges and preparing to invest billions in energy and mineral related projects. The Labor view is that Australia's combination of cheap coal and abundant bauxite is unmatched elsewhere.

But it is concerned that competition between the states to attract foreign investment by offering low electricity prices, and subsidised infrastructure, threatens to reduce the overall benefit of such schemes to the country. This is a new gloss on traditional labour and union suspicion of "the multinationals" and foreign mining companies in particular.

But the Treasury has also expressed such fears. Labour argues that it would ensure that the proposed investment boom is planned more carefully. Labor spokesmen, like the shadow minerals minister, Mr. Paul Keating, are furthermore, sceptical about the kind of investment figures now being handled about in the pre-election atmosphere. Estimates range from around $A27bn to some $A80bn, including infrastructure and Labor believes that investment even at the lowest end of this sort of range would be simply too much to be digested.

A lower rate of development, more carefully regulated and, taking place in a climate of Labor co-operation, would be in the best interests of Australia and foreign investors alike, they argue.

The question of Labor co-operation, and the equally important need to ensure Aboriginal consent for mining projects, has been raised to the forefront of national and foreign attention by two major disputes in recent weeks.

The Prime Minister, Mr. Malcolm Fraser

The Labor leader Mr. Bill Hayden

Both are being used to point out the dangers implicit in what Labor spokesmen describe as "the confrontational tactics" of the Liberals and their "broken promises."

Coal miners in Central Queensland went on strike for more than two months over Government plans to tax their subsidised housing, despite earlier assurances to the contrary. Aboriginal distrust, meanwhile, flared in the wake of strong-arm tactics by the Premier of Western Australia, Sir Charles Court, to ensure oil drilling at Noonkanbah, in an area considered to be an Aboriginal sacred site.

Both incidents highlighted the sort of problems which have helped to ensure that Australia, in recent years, has not been able fully to capitalise on its enormous natural advantages. Creating a workable consensus about what Australia can and should achieve over the coming decade will not be an easy task. Considerable sensitivity will be required to solve the social problems created by unemployment, the need to allow greater immigration of skilled workers, re-structure the economy and provide for the enormous construction and infrastructure development which is planned. This is really what the forthcoming election is all about, although whether the debate rises above the level of mutual recrimination and mud-slinging, typical of electioneering, remains to be seen.

Anthony Robinson

ECONOMY (II): CURRENT PERFORMANCE

Increase in investment

A SHARP increase in both consumption and investment expenditure, in recent months, indicates that the Australian economy may now be expanding at a faster rate than the 3.5 per cent growth on which the mid-August federal budget based its estimates.

At the same time, a spate of higher profits is being reported, particularly by the major mining companies, and stock markets are booming on the strength of rising domestic and foreign demand, particularly for resource based stocks.

The latest figures issued by the Bureau of Statistics indicate that new fixed capital expenditure is expected to rise by 21.5 per cent over the second half of the year.

The rise is concentrated in the mining sector — where investment is expected to be 60 per cent above first half levels, in manufacturing investment (including the massive smelter projects) and in construction.

In real terms, private fixed investment this year is expected to rise 10 per cent over 1979 levels while the latest retail sales statistics indicate a 4 per cent increase in consumer spending this year.

Hourly earnings meanwhile rose by 10.3 per cent over the year to end-June, only slightly faster than the consumer price index which rose to 1.7 per cent over the same period.

As the economy picks up, however, pressure for higher wages and salaries is expected. This could make it difficult to keep average weekly earnings to the 12 per cent rise forecast in the budget papers for the current fiscal year.

Higher private investment and consumption, meanwhile, is expected to be compounded by higher public sector spending—particularly by State governments which are embarking on an extensive programme of infrastructure spending—including the odd election-orientated but economically questionable dam projects such as Queensland's Burdekin dam.

The Federal budget forecasts a 13.7 per cent rise in Federal spending, compared with 9.1 per cent last year. Tax revenues however are scheduled to rise even faster, by 16.2 per cent, thanks mainly to an $830m increase in revenue from the crude oil levy. This will permit a $606m reduction in the domestic balance and create a small, $39m, domestic surplus.

On the external trade account, the budget papers assume little real growth in economic activity in the OECD area, as a whole, but continuing, albeit slower, growth in Japan and the oil-producing countries.

Under these conditions, little growth is forecast in real exports of goods and services after last year's near-record 14½ per cent rise. Imports, however, are expected to rise quite sharply—reflecting increased imports of capital equipment associated with the forthcoming resource and energy boom and higher defence expenditure. Higher private and public capital inflows are also expected.

As a reflection of the Treasury's concern about the possible resurgence of inflationary pressures, monetary policy will continue to be restrictive. The Government aims to keep the M3 money supply growth within a 9-11 per cent range, below last year's 13 per cent.

A.R.

Argument over tariff issues

THE DECISION announced last month by the Australian Government not to significantly alter the level of protection applying to the textiles, clothing and footwear industries, was a bitter blow to the anti-protectionist lobby and to the Industries' Assistance Commission (IAC), the Government's advisory body on tariffs.

After two public draft reports and more than a year's debate and intense lobbying on the issue, the Government rejected the IAC's recommendations to abolish quotas on textiles, clothing and footwear and gradually reduce tariffs over a five-year period beginning in 1981.

The Government, which is facing a federal election on October 18, said it could not accept the projected loss of 11,000 jobs, in addition to the expected 16,000 to 19,000 jobs that will be lost to the sector by 1986, because of technological change. The sector currently employs about 100,000 people, a fifth of the manufacturing workforce.

Quotas and tariffs will remain for a seven-year period starting in 1982 with token concessions to developing countries, a definition which does not extend to Australia's neighbours, the Association of South-East Asian Nations (ASEAN).

Apart from the IAC itself, the announcement brought audible groans from the Treasury because of the economic implications and from the department of foreign affairs because of the foreign policy issues.

Members of ASEAN—*Indonesia, Malaysia*, the *Philippines*, Thailand and Singapore—which, as Australia's near neighbours are of immense strategic importance as well as economic significance because of their rapidly growing economies, were predictably angry at the decision.

Prime Minister Lee Kwan Yew of Singapore publicly criticised Australia's protectionist policies on manufactures at this month's Commonwealth Heads of Government Regional Meeting in New Delhi. Mr. Lee said Australia could not expect support for its campaign against the protectionist policies of the European Economic Community and Japan, while itself retaining high tariff barriers against its neighbours.

On the economic aspect, the Treasury *believes that lowering* protective tariffs despite possible unemployment in the short-term is essential for easing other pressures likely to arise in the 1980s as large-scale resource development gets underway.

The expected inflow of foreign capital for development and expected rise in export income from increased mine output, coupled with import restrictions is likely to lead to a balance of payments surplus and bigger than desirable increase in the money supply.

This in turn would lead to higher domestic inflation and measures to combat it such as higher interest rates and revaluation of the dollar—moves which would hurt efficient and inefficient producer alike.

Far better, argues the anti-protection lobby, to restructure industry in a way that hurts only the inefficient sectors, leaving the efficient to take up the resources liberated by the decline of the import-substitution industries.

Manufacturing employs just over 1m of Australias 6m workforce and contributes around 20 per cent to both Gross National Product and export income.

The Government in theory at least, is committed to reducing tariff protection. Its 1977 White Paper on Manufacturing Industry recognised that import constraints had resulted in *resources being deflected* into a highly diversified manufacturing sector, with employment levels in many areas "directly dependent on the continuation of protection."

However, the actual decision to lower protection with its politically unpleasant implication of higher unemployment (Australia's current rate is 5.8 per cent) seems to be receding further into the future.

The Government accepted last year the recommendations of the Crawford Study Group on Structural Adjustment, which recommended gradual reduction of import restrictions. However, although the Crawford report recommended that the Industries' Assistance Commission begin an assessment of the economic circumstances of protection policy in general, the Government has decided to defer this review until the end of next year when the IAC is expected to complete its current industry-by-industry review, of which the controversial textiles, clothing and footwear decision was a part.

The IAC is expected to take 18 months to complete its review once it begins late next year and by then the Government will be facing another federal election. Unless the economy has substantially picked up, neither the Liberal-National Country Party coalition nor the Labor Party will want to make decisions that can be seen to cost jobs.

Measurements and comparisons between countries on levels of protection are notoriously hard to quantify because of the various ruses that can be used to restrict imports. Australia, for example banned for a time imported French cheese which was being flown daily to Sydney and doing a roaring trade through delicatessens. The argument used was not that the local industry needed protection, but that foot and mouth disease might be transmitted by the fresh cheese.

So far, debate on protection in Australia has centred largely on potential job loss rather than benefits to the consumer from lower prices for imported goods and a better allocation of the nation's resources. This is mainly because the industry lobby groups comprising both management and workers of threatened sectors have been much more vocal than consumer groups.

As part of its policy of trying to generate more informed debate on the issue, the IAC has published information papers which quantify "nominal" and "effective" rates of assistance and estimates of tariffs as taxes to consumers.

Nominal rates measure the amount prices of imports and import-competing domestically produced goods are raised because of protection.

The effective rate measures net assistance by taking into account tariffs that might apply to an industry's inputs.

The average nominal rate of assistance to the manufacturing sector in 1977-78 was 15 per cent and the average effective rate was 26 per cent.

Food, beverages and tobacco processing which is the largest manufacturing sector in terms of employment (around 200,000), and contribution to GNP and exports, has an effective rate of assistance of 13 per cent.

Transport equipment, including motor vehicle manufacture, which employs around 150,000 people has an effective rate of protection of 61 per cent, clothing and footwear 149 per cent, textiles 57 per cent, basic metal products 14 per cent and fabricated metal products 32 per cent.

If industry is to be restructured, the obvious question arises of how the workers displaced can be re-employed. There is already evidence of a drift in the workforce towards the service sector.

The service sector, in the past 20 years, has grown from 60 to 70 per cent of the workforce; most of the increase coming from the private rather than the government sector. The rural sector accounts for about 7 per cent and the mining industry less than 2 per cent.

During the 1980s mining can be expected to increase its share slightly and there is expected to be a continued drift to the service sector, especially to tourism which could offer as many as 60,000 new jobs within the next five years.

The Government is committed to an Australian motor vehicle industry and has already indicated that it will continue to allocate 80 per cent of the market to Australian-manufactured cars, holding at bay Japanese and European competition through tariffs and quotas.

However, even in this sector there will be some room for specialisation and economies of scale as Australia participates in component manufacture for the "world car" concept of the large manufacturers General Motors-Holden (GMH) and Ford.

Off-set deals for purchases of foreign capital goods like aircraft will also continue to be a government objective.

There is general agreement that Australia's future lies in high-technology, capital intensive industries and not in labour intensive manufactures which can be produced so much more effectively by Australia's Asian neighbours. But for politicians, with textile and automobile factories in their electorates, implementing policies towards this end, is not so easy.

Patricia Newby

AUSTRALIAN MANUFACTURING INDUSTRY

	% Average annual growth in value added 1968-69 to 1977-78 at constant prices	Employment: Persons employed June, 1978 '000	Employment: % Average annual growth rate 1969-78	Protection: effective rate in 1977-78: see note (%)
Food, beverages and tobacco	5.3	183	−0.2	13
Textiles	0.1	37	−5.2	57
Clothing and footwear	−0.4	80	−4.8	149
Wood, wood products	1.3	71	−1.7	18
Paper, paper products, printing	2.3	96	−0.8	29
Chemical, petroleum and coal products	3.2	62	−0.4	19
Non-metallic mineral products	2.9	45	−1.8	5
Basic metal products	2.7	89	−0.1	14
Fabricated metal products	−0.3	103	−1.3	32
Transport equipment	1.9	155	−2.4	61
Other machinery and equipment	1.8	140	−0.8	21
Miscellaneous	4.9	63	−0.8	27
TOTAL MANUFACTURING	2.7	1,123	−1.5	26

Note: Effective rate of assistance = % by which value added per unit of output is increased by tariffs, quotas and subsidies.

Source: Industries Assistance Commission

Trade in all sectors is flourishing

AFTER SUFFERING for most of its trading history, because of its distance" from traditional markets in the UK and Europe, Australia at last appears to be in the right place at the right time.

In Japan, it has *found* a complementary economy to replace Britain's traditional role as buyer of raw materials and supplier of manufactured goods is also in a good position to become the ideal supplier of food, energy, raw materials and technical know-how to the rapidly expanding economies of the Association of South-East Asian Nations (ASEAN), South Korea and Taiwan.

Despite low growth rates in most of the industrialised world and sluggish economic conditions at home, Australia's trade in all sectors—mining, agriculture and manufactured goods—is burgeoning.

Exports in the financial year, 1979-80, which ended on June 30, Australian exports were A$18.9bn, a rise of 33 per cent over 1978-79.

Imports rose by 18 per cent on the previous year to A$16.2bn, leaving a record surplus of exports over imports of A$2.7bn. However, as in previous years, the trade surplus has been offset by a deficit on invisible transactions such as freight and insurance, the resulting current account deficit in turn being offset by a surplus on the capital account.

Japan is Australia's major trading partner and by far its leading customer, taking exports worth more than A$5bn in 1979-80, which was more than 26 per cent of total exports.

Japan supplies A$2.4bn or 17.6 per cent of total imports.

The Australian-Japanese relationship is likely to become even closer in the coming decade as rising oil prices emphasise Japan's requirements and Australia's capacity to supply alternative forms of energy in coal, natural gas and uranium.

For Japan, Australia features less prominently as a trading partner, accounting for roughly 7 per cent of Japanese imports and 3 per cent of exports. However, there is a strong element of mutual dependence. Australia is Japan's main source of imports of bauxite, iron ore, coal, wool, woodchip, meat and sugar.

Negotiations are underway for Japanese participation in a number of resource projects including extraction of natural gas off Australia's North-West Continental Shelf, coal liquefaction in Victoria, uranium and coal mining and, possibly, uranium enrichment.

The Japanese are planning to invest heavily in mines for steaming coal which is used in power generation. At present, Australia's steaming coal exports, all of which go to Japan are around 5m tonnes a year. Even at conservative estimates, steaming coal production in Australia is expected to reach 20m tonnes by 1985, much of which will go to Japan.

Relations with the European Economic Community, Australia's principal source of imports and second largest export market after Japan, are probably at an all-time low, following recent threats by Australia to divert trade away from the EEC in rataliation against EEC trade policies.

Mr. Doug Anthony, Australia's Deputy Prime Minister and Minister for Trade and Resources, has threatened to divert up to A$1bn in trade away from the EEC unless Australia is given a guarantee that the proposed sheepmeat regime will not disrupt Australian exports in Third World markets such as the Middle East, where Australia has a thriving live sheep and chilled meat export market.

Australia believes that subsidised production under the EEC's Common Agricultural Policy has usurped markets from efficient producers of sugar, beef, dairy produce and flour and depressed prices for cereals.

Now that sheepmeat threatens to join the list Mr. Anthony has demanded a guarantee that there will be no subsidised exports. If such a guarantee is not forthcoming he has threatened to give preference to non-EEC suppliers for Australian Government purchases of items such as aircraft, defence and communications equipment.

While Australia lambasts the EEC over its protectionist policies, Australia itself has been subject to some bitter criticism from the Association of South-East Asian Nations over Australia's protective tariffs on manufactured goods.

At the Commonwealth Heads of Government Regional Meeting in New Delhi, earlier this month, Singapore's Prime Minister, Mr. Lee Kwan Yew attacked Australia as being in danger of becoming "irrelevant" in South-East Asia. He said Australia could hardly expect support for its campaign against the EEC's protectionist policies while maintaining its own protective regime.

Mr. Lee's attack was sparked by the Australian Government's recent decision not to significantly change the levels of protection applying to textiles, clothing and footwear because of the unemployment that would be generated.

Mr. Anthony replied to Mr. Lee's criticism saying "it was just not true" that Australian trade policies were more restrictive, conservative and backward-looking than the EEC, as claimed by Mr. Lee.

ASEAN sales to Australia grew by 27 per cent a year from 1973-74 to 1978-79, to a total of A$641m and this has risen in 1979-80 by 57 per cent to just over A$1bn. Australian exports to ASEAN were A$1.4bn in 1979-80.

Ironically, the trade balance between Australia and Singapore is in Singapore's favour.

"While Singapore is selling more to Australia than we do to Singapore, we never know from one day to the next what new EEC barrier we will face, except that it will be a big one," said Mr. Anthony.

"If Australia could get access to the EEC as good as the access Singapore gets into the Australian market, we would have little to complain about."

Australia argues that while it allows an increasing market share to imports, the EEC has totally closed traditional markets to Australia while disrupting through subsidised exports markets in other countries which Australia has developed to compensate for the EEC loss.

Even people who do not approve of Australia's tariffs point out that there is a limit to the amount of textiles, footwear and clothing a country of 14m can absorb. Australia, on a per capita basis already imports more of these sensitive

CONTINUED ON NEXT PAGE

Coal export boom forecast

RISING OIL prices and instability in the Middle East have led to a surge of enthusiasm in Australia, in the past year, about the country's potential to supply alternative energy—especially coal. Vast reserves of previously uneconomic steaming coal, used for power generation are expected to be tapped in the next two decades to power industry at home and provide exports for an energy-hungry world at large.

This dirty, bulky, unglamorous resource has been hailed as the key to what the Prime Minister, Mr. Malcolm Fraser, has described as a decade of "unparalleled development and investment" in Australia in the 'eighties.

The World Coal Study has estimated that Australian coal exports could rise from the current 42.5m tonnes a year to 160m tonnes by the turn of the century, taking the country from its present position as the world's second largest exporter (after Poland) to number one exporter.

The international energy agency has estimated that demand for Australian coal could rise by the year 2000 to 195m tonnes a year, about half of which would be for steaming coal, used for power generation, and half for coking coal, used in steel production.

Coal is already one of Australia's largest export income earners—at A$1.7bn in 1979-80, it vies with beef and wool as the second biggest revenue earner, after wheat, at A$2.9bn.

Japan, the main customer for Australian coal, took 28.5m tonnes of total exports of 42.5m tonnes in the financial year ended June 30, 1980. The UK was next largest customer for both coking and steaming coal, although both countries are trying to diversify their trading partners.

Australia supplies about 40 per cent of Japanese coking coal requirements; for security of supply, Japan would like to reduce this proportion to about one-third — the rest coming from Canada, the U.S., China and other countries.

Japan's intention to diversify supply sources appears to have intensified following a 10-week strike by Queensland miners which ended last month and which held up about half Australia's coal exports.

Australia for its part hopes to develop substantial coal trade with the rapidly growing economies of the Association of South East Asian Nations. South Korea and Taiwan and, to that end, is offering technical assistance, mostly on a commercial basis but sometimes as part of aid programmes, to countries in the region interested in converting from oil to coal-fired power generation.

However, as the dust, and dust is the word with coal, settles on the initial enthusiasm, a harder look is being taken at obstacles to rapid coal development.

There is no doubt that the resources are there. Estimated reserves stand at 160bn tonnes and are constantly being increased as new finds are made. The reserves range from premium quality hard coking coal, mined in Queensland and New South Wales, to soft coking and steaming grades, also in New South Wales. Vast quantities of low-grade steaming coal, currently uneconomic for export because of the high water content, but suitable for power generation *in situ*, exist in Victoria. The Japanese are considering establishing a lignefaction plant in Victoria to convert coal to oil.

Although Australia has only 5 per cent of the world's coal reserves, the country is likely to become the world's major exporter because of low domestic demand compared with countries like the United States, and because much of the world's coal is in populated areas or expensive to mine.

Resources

However, physical constraints on the amount of development that can take place in a relatively short time and a possible backlash against coal when people realise its full social cost could slow coal export expansion.

As one mining official commented, "Mrs. Sydney and Mrs. Tokyo are already objecting to their washing catching the filthy dust from coal loaders."

There is a feeling among Australian mining officials and bureaucrats that the world will probably reassess nuclear power within the next 10 years when the world realises the sheer volume of coal needed to replace oil and the associated problems, such as transportation and environmental and health factors involved in mining and burning coal.

Coal mining is still hazardous, in terms of accidents and miners' health. The open-cut mines used extensively in Queensland also create enormous environmental problems.

The built-up areas, such as Sydney, Newcastle, and Wollongong in New South Wales, dust from the coal trains—as they arrive at the ports and off-load coal—is already drawing protests from local residents. Then there is the additional pollution caused by coal-fired power stations.

Although electricity generating authorities maintain that emission control is better than for oil-fired power stations, there are still doubts in the minds of many people about sulphur dioxide, ash and even radiation released from power stations. Most of the environmental problems can be overcome, but at a cost which, of course, eats into the price differential between coal and alternative fuels.

There is also a suspicion that more oil will be found in the next 20 years and that more sober estimates of coal requirements will emerge as the initial panic caused by the rapid escalation of oil prices in the past few years subsides.

Even if coal demand is as voracious as current estimates, a number of factors may well hamper development. Coal miners will have to compete among themselves and with other miners for capital, labour and equipment. In addition, the great infrastructure development programme which includes 18 coal-fired power stations to double Australia's electricity-generating capacity by 1987 and five new aluminium smelters to take the country to number one aluminium exporter by the mid-1980s, will also be competing for investment finance and labour.

Sir James McNeill, chairman of the mining and steel-making company, BHP, said: "Obviously, there are some misgivings about the concentration of development that is expected in the coming decade."

Capital, he believes, can be attracted from within Australia and abroad, but like other mining leaders and the Government itself, he sees a looming shortage of skilled labour as the main constraint to growth in the 1980s. Chronic shortages of geologists, mining engineers, and skilled workers such as metal tradesmen are being predicted from all sources with an increasing air of helplessness.

Skilled labour

Some attempts are being made to improve the antiquated apprenticeship system inherited last century from Britain, but it appears that skilled labour will have to be imported through immigration at an accelerated rate throughout the 1980s.

The idea of skilled guest workers, for example, Japanese engineers, and Korean construction workers is being floated by some mining companies although it is bound to get short thrift from the unions while unemployment remains at nearly 6 per cent of the work-force.

Rising oil prices have made the exploitation of steaming coal deposits in Australia a viable alternative source of energy. An obvious scenario is to use that competitive advantage to process the country's raw minerals.

Japan has already announced decisions to cut back on some minerals smelting because of the cost of fuel and pollution problems. By investing in coal mining and raw material processing in Australia, Japan can "export" its pollution problems and import the benefits of cheap power. What Australia has to offer in the 1980s is "congealed electricity" or "frozen power."

In times of rising fuel prices for shipping it makes even less sense to be transporting bulky minerals and the coal to fuel processing halfway around the world.

Vastly increased production of aluminium using Australian bauxite and coal is already underway and there is obvious potential for mere Australian processing of copper, zinc, ferro-manganese and alloy steels which require high concentrations of electricity.

However, the six-year time lag on the building of a power station will obviously act as a break on growth, despite the effort being made by generating authorities to meet expected power demands.

Other factors such as port dredging and expansion, coal loader facilities, railways and even adequate mapping of proposed coal mines and their associated towns and infrastructure are possible bottlenecks to coal expansion.

The opportunities for a coal-fired boom exist in Australia. It is a question of whether—and how quickly—they will be seized.

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Trade CONTINUED FROM PREVIOUS PAGE

products than most industrialised nations including the U.S. and Japan.

Australia would dearly like to shift the debate from bi-lateral trade balances to a perception of Australia as a supplier of raw materials and energy, especially coal, to the benefit of the ASEAN economies, enabling them to sell more goods competitively and thus improve the well-being of the region as a whole.

To some extent, this is already happening, as can be seen from the shift in Australia's export composition. Until the mid-1960s, minerals constituted less than 10 per cent of total exports. In 1979-80 this share was roughly 36 per cent.

The rural sector, although still the biggest contributor to export income at 40 to 45 per cent of total exports has declined from its dominant position in the 1950s and early 1960s.

Exports of manufactured goods have grown rapidly in the past two years as Australia's inflation rate, currently at 10.5 per cent has fallen relative to many other countries and as the Australian dollar has declined against other currencies.

Elaborately transformed manufacturers (ETMS) which exclude processed minerals and primary products have been growing at between 30 and 40 per cent a year in the past two years. However, this is likely to be one of the worst hit sectors if Australia's exchange rate appreciates under pressure from capital inflow for resource development and subsequent increases in export income as mines start producing.

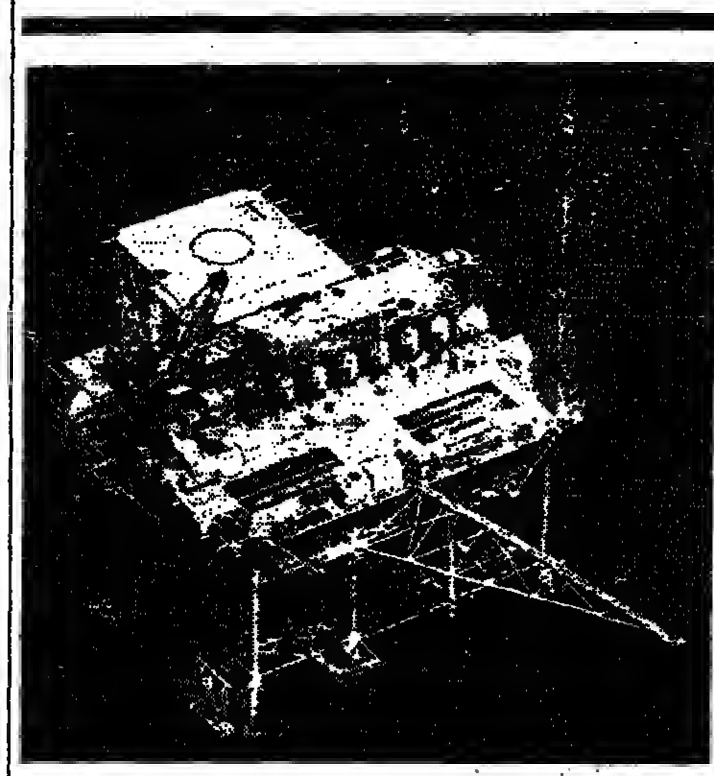
Australia is having some success in developing high-technology, highly-skilled manufacturing industries such as medical instruments and heart pacemakers which it hopes will maintain a competitive edge.

Australia's relatively cheap sources of energy generated from coal may also help off-set some of the disadvantages of high wages and a rising exchange rate.

The sale of consultancy services to South-East Asia and the Middle East is also developing for projects such as telecommunications, dam and road-building (especially where experience of deserts is an advantage), and design for entire townships following expertise gained developing townships "from scratch" for remote mining areas of Australia.

Despite the current acrimonious wrangling with the EEC and ASEAN and looming exchange rate set-backs, the broadening base of Australia's exports has led to general optimism about the country's future as a trader.

Patricia Newby



Above: a rig in the Bass Strait oil and gas field. Right: an Aboriginal worker at a stone-crushing plant. Aboriginal Land Rights have been an issue in Australia for a decade, since minerals were discovered in remote areas of the continent.

Growing interest in gas exploration projects

ALTHOUGH THE natural gas project on the North West Shelf has been underway for nearly a year, the newspaper headlines concerning this A$5bn project tend to give the impression that the go-ahead is still some way off. The companies involved, BP, BHP, Cal-Asiatic, Shell and Woodside are soon to sign their formal participants' agreement. This will follow a liquefied natural deal with Western Australia's State Energy Commission. Then will follow a liquefied natural gas (LNG) sales contract, with Japanese power companies. This alone will be worth $50bn, give or take a few billion.

The project started three years ago. Western Australia's Premier, Sir Charles Court, counselled industrialists to gear up or miss out on spinoff from the nation's biggest commercial venture and warned that "when the whistle blows, the game will be fast and furious."

Although the whistle hasn't blown, the game has started. It has not yet become fast and furious, because many have not realised that it *has* started.

The key is in world gas prices which have risen faster than oil prices since Sir Charles' timely warning. The sequence was to have been (i) LNG letter of intent; (ii) financing based on this agreement; and (iii), letting of the first critical-path contracts to get the project underway. The Woodside group has been able to reverse this sequence and move ahead in confident anticipation that it will all work out because, what had started as a marginal prospect, has been transformed into a most profitable one. The trend of gas prices suggests the seller's market will continue.

This same market turnaround promises other radical changes. *From its conception through its* 20-year gestation, the development has been viewed as a one-off phenomenon. Exporting just over half the North Rankin field's reserves was justified because it provided the economies of scale needed to bring the gas ashore and to have it piped 1500km from Dampier to Perth for local industrial use.

Premium fuel

The technical problems involved are extremely complex. Exploitation involves lifting gas from 4,000 metres of water and mud, 130 km offshore on a remote and cyclone-swept coastline, then chilling the gas to near absolute zero and transporting it 6,700km to the nearest market, where it is "regasified" and used in the production of electricity. But instead of fading out, LNG is taking up part of nuclear power's slack, as natural gas enters an unexpected boom; LNG has become a premium fuel. Australia, because of its stability, has become a premium source.

There are wide implications in this, with other Australian gas deposits becoming attractive. The Woodside group has decided to exploit the nearby Goodwyn gasfield (apart from North Rankin), with a third platform. There are improved prospects, too for the Wapet group (Ampol Exploration, Cal-Asiatic, Shell and Texaco) at its West Tryal Rocks gasfield on the North West Shelf and for the Petrel and Tern fields, with Aquitaine the prime force, in Bonaparte Gulf Basin in the far north.

Drilling began off the Exmouth Plateau off the North West Shelf, in 1979, on the basis that only major oil accumulations could be considered in such deep water, even then on technology's leading edge. The new gas price scale and the discovery of what appear to be immense gasfields have shifted the technological frontier to the point where even this gas will probably be exploited.

Gas gives Australia strong leverage in working towards the best option for resources development. It can be retained as a relatively cheap energy source: a cubic foot of gas, used onshore adjacent to the North West Shelf, will cost about half the same cubic foot of gas via the LNG route in Japan—more than enough to offset the region's low productivity.

Gas can also be exported to boost overseas earnings. Or, and most likely, it can help to achieve both—and this will become a delicate policy decision, as implications of the gas price revolution are examined.

Woodside's vast project tends to overshadow these less-immediate considerations, meanwhile contributing issues of its own. The 11th-hour decision to strip LPG fractions from the natural gas before export makes available 640,000 tonnes a year of feedstock.

LPG is one of the four product "streams." LNG will initially be exported to Japan over 20 years, at an annual rate of 6m tonnes. This process will produce an annual 1.4m tonnes of condensate. And "sales gas" will start flowing from 1984 (73m cubic feet a day for use in the Pilbara iron-mining region, adjacent to the North West Shelf; 321m for Perth and its industrial satellites, notably for the expanding alumium industry).

It was on the basis of the local "sales gas" that Woodside Petroleum was able to secure a $1.3bn loan, the biggest non-recourse loan in history, to help pay its way, although it has relinquished its role as a LNG tanker fleet-owner.

The main contract let, so far, has been to Nippon Kokan KK, of Japan, for the first platform jacket. Indeed, this signalled that the project was inexorably underway. Moving through the "weather window" of northern hemisphere typhoon and North West Shelf cyclones, the jacket must be on location mid-1982 to meet the 1984 initial production schedule.

Later this month, contracts are due to be let for the first eight process modules for the platform; to be built at Perth's new Jervoise Bay load-out facility, and for the accommodation and helipad modules. Tenders are being considered for the flare jackets; and, on the hook-up side, for platforms and module installation, hydrabaric welding, submarine pipelines, trenching and stabilising and grout bagging.

Cost levels

Perth's prime office space has been filled as a steady stream of contractors and consultants arrive to work on this project as well as Alcoa's *Wagerup* and the Reynolds-Shell-BHP Worsley alumina developments (the State's first $100m-plus projects, after a break of about eight years).

Yet, costs have remained surprisingly steady, largely because the flood of work is yet to have a drastic effect on the fabrication industry, where competition — built-up in anticipation of the energy-based boom—has become fierce.

Although some of the biggest tracts have already gone overseas, including a controversial job to Hyundai of Korea, Australia's west coast is establishing the infrastructure necessary for it to qualify, next time.

Shell made it clear at the outset they were not in the business of financing prototypes —and Australia's lack of experience has proved costly. One of the attractions of LNG is that the customer nation can offset energy costs by exporting its technology for LNG; this comprises a high proportion of total outlay.

As big as it is, the North West Shelf project can safely be regarded as Australia's "toe in the petroleum export door." The rules will change next time, as local industry demands a bigger share of the spinoff and as local politicians feel more able to ensure that they receive it. With gas prices rising, the fact that the west coast is considered gas-prone is less discouraging to explorers. Industry experience suggests that the consequent increase in drillings will produce oil, as well as gas.

Thus, with considerable help from world gas market, the North West Shelf development has become an important catalyst for the exploration and processing industries, quite apart from being the biggest private industrial project in Australia's history.

Don Lipscombe

A rapid surge in mining developments

ALTHOUGH THE mining industry has long been important to Australia, it will become increasingly so in the 1980s as the result of a huge surge in the development of fresh mining projects, primarily based on energy-related exports.

The inexorably rising prices for oil has focused the world's attention on alternative energy resources, and Australia comes out high on the list. It has abundant supplies of steaming coal, natural gas, uranium and oil substitutes such as oil shale and coal suitable for liquefaction.

The availability of large amounts of relatively low-cost energy is also attracting energy hungry industries such as aluminium. It was not until the 1960s and 1970s that large, capital intensive open cup mines, big by world standards, were developed in Australia.

As a result, the contribution of minerals, including petroleum, grew from 24 per cent of total export income in 1968-69 to about 40 per cent in 1978-79.

Moreover, this was achieved during a period of world-wide economic recession, and when Australia's traditional major exports of pastoral and agricultural products had been declining. The coming "development decade" will outstrip the growth of the past 20 years and require huge sums for investment.

Investment

A recent study by the Department of Industry and Commerce recorded investment projects totalling A$29bn in the 1980s, almost entirely accounted for by the mining and mineral processing industries. This is more than A$4bn higher than the previous estimate by the department, in October of last year.

But it is much less ambitious than some of the surveys conducted by private interests. A recent study, prepared for the Australian Industries' Development Association, put the projected capital spending over the decade at A$80bn.

The management consulting group, W. D. Scott reached a figure of A$52bn. Certainly the industry and commerce survey made little allowance for the boost in electrical power generation needed to cater for the development, and which is estimated to require at least A$10bn. Nor did it include ambitious projects such as rundle oil shale venture in Queensland, in which Esso, owned by Exxon Corporation of the U.S., recently joined with two small Australian companies.

The venture envisages production of 200,000 barrels of synthetic oil a day by 1990 — equivalent to about 30 per cent of Australia's present requirements and 20 per cent of its estimated 1990 requirements.

The problems are formidable. It would require mining massive amounts of material—up to 1.5m tonnes a day, and the capital costs could run between A$10bn and A$15bn. Esso seems confident that the project will go ahead. Yet Rundle is only one of several oil shale deposits in Queensland, and by no means the largest, although it is amenable to mining, and located close to a port.

The mining boom, 1980 style, will be different from that of the late 'sixties and early 'seventies. That surge was based on iron ore, coking coal and bauxite-alumina. This time around it will be energy resources steaming coal, uranium, natural gas.

The commitments already made to install aluminium smelters to boost production of the primary metal its also related to energy. Aluminium smelting is an energy intensive process and the increasing cost of power in the major aluminium producing countries, such as the U.S. and Japan, is forcing the siting of smelters close to the power source rather than to the markets.

In effect, Australia will be exporting energy in the form of aluminium ingots—or "congealed electricity" as some have dubbed it. At least five new smelters are planned which will boost Australia's production of aluminium from 280,000 tonnes a year, or two to three per cent of total world production, to 1.6m tonnes, or 10 per cent, by the mid-1980s.

Australia is already the world's largest producer of bauxite, accounting for about one-third of the western world's total output and is second to the U.S. in alumina production, accounting for close to 30 per cent of the western world's output.

Steaming coal, once the poor relation to the higher-priced metallurgical coking coal, holds out great promise. But the rising cost of oil is inducing power utilities around the world to convert from using fuel oil to steaming coal for power generation.

Japan in particular is expected to import huge amounts of steaming coal, with Australia and the U.S. the most important suppliers. Australia has almost limitless supplies of coal, enough to support expanding producing and export for several centuries.

The International Energy Agency has predicted that Australia will be the world's largest coal exporter by the 1990s. A recent analysis by the Esso oil group indicated that the continent's remaining discovered coal reserves were equal to about 170bn barrels of oil, of which only about 3bn barrels would be used within Australia by 1990.

The recent world coal study predicted that Australia's coal exports would soar from 38m tonnes in 1977 to 160m tonnes a year by 2000. Exports of steaming coal were forecast to rise by an average of 14 per cent in volume terms over the remainder of the century.

The study also found that Australia was the preferred source of supply for 25 per cent of the European market—a larger share than for any other exporter. The majority of the steaming coal projects planned at present are in New South Wales, but they are mainly underground operations, while Queensland possesses large deposits capable of open-cut mining. NSW is also plagued by inadequate coal export loading facilities and there are fears that if new facilities are not quickly installed, Queensland could obtain large long-term contracts and move into production at the expense of some of the NSW projects.

The most ambitious Queensland steaming coal venture is at Blair Athol where a consortium including the local Rio Tinto-Zinc offshoot, Cra Arco, of the U.S. and the Japanese Electric Power and Development Corporation, want to develop a 5m-plus tonnes a year operation. They have been stalled because the introduction of the Japanese would result in a foreign ownership greater than the 50 per cent generally allowed for new mining projects.

But it is suggested that a compromise is close which would result in Arco and the EPDC finding an Australian partner to take some of their equity, and the Government agreeing to lower its equity sights, at least temporarily, below 50 per cent.

The Australian Government has already softened its foreign ownership guidelines in recent years and introduced the concept of granting honorary Australian status to companies which agreed to "naturalise."

Majority

To qualify, a company must first have at least 25 per cent local equity and give an undertaking to increase it to 51 per cent, as well as ensuring a majority of Australians as directors. The Government may be forced to make further accommodations if it wishes to see all the proposed mining projects come to fruition.

But not everyone is convinced that the mining industry should be allowed to expand at the projected rate, simply because the growing pains could be too severe.

For a start, the domestic market is not capable of financing development on the scale anticipated, even if the current Campbell inquiry into the financial system comes up with new means of mobilising capital. The states are now heavy competitors with the private sectors for funds from the capital market to finance their infrastructure requirements, creating the possibility that the private sector could be unduly squeezed.

The influx of foreign capital which will be necessary will put pressure on the money supply and increase inflationary pressures. Together with the expected boost to export income as the developments come on stream, there will be upward pressure on the Australian dollar.

This would rebound upon the mining companies themselves, as it did in 1972 when the revaluation was an outcome of the mining developments of the late 60s. But probably more important from a political viewpoint is that it would put a heavy strain on the manufacturing sector, particularly cosseted industries such as motor vehicle manufacture and the textile, clothing and footwear sectors.

Despite recommendations by the Industries' Assistance Commission to restructure these industries, the Government has so far declined to act, because they are labour intensive. The mining industry, on the other hand, is capital intensive and a relatively small employer of labour.

James Forth

Clash over Aboriginal Land Rights

THE CLASH between mining and Aboriginal Land Rights has hit the headlines again in recent months with the bitter conflict over oil drilling on an Aboriginal sacred site on Noonkanbah Station, in Western Australia.

The U.S. oil company, Amax Petroleum, backed by the Western Australian Government, headed by Sir Charles Court, has started drilling on the site of the sacred Goanna Spirit, at Noonkanbah, despite opposition from the Aboriginal lessees of the land and the Australian Council of Trade Union, which banned union labour from the rig.

The nationally elected body the National Aboriginal Congress earlier this month cited the case as evidence of racial discrimination to a United Nations sub-commission on protection of rights of indigenous people.

Aboriginal Land Rights have been an issue, on-and-off, in Australia for ten years since minerals, including uranium, were found in the remote north and centre of the continent previously inhabited only by the remnants of the original Aboriginal tribes.

Many middle-class Australians in cities such as Sydney, and Melbourne in the South, where there is scarcely an Aboriginal face to be seen, felt sympathy towards Aboriginal claims to land and a certain amount of guilt about past treatment of Aboriginals.

Although most white Australians want progress, they have no particular love for multinational mining companies and public opinion has often sided with the Aboriginals.

As one cynic remarked: "The land doesn't belong to the Crown or to the Aboriginals—it belongs to the first multinational that finds minerals on it."

Inquiry held

Mining of the ranger uranium site in the Northern Territory was postponed for two years while an inquiry was held into all aspects of mining and export, including damage to Aboriginal sacred sites and disturbance to their communities.

Partly as a result of public opinion, the Whitlam Labor Government initiated legislation which was implemented by the Fraser Liberal-National Country Party Coalition Government in 1976 to give Aboriginals land rights in the Northern Territory.

Apart from protection of their sacred sites and magnificent "galleries" of rock art, painted on cliff faces and caves, all over the Northern Territory, Aboriginals see land rights as absolutely essential to self-determination and progress in whatever form the people choose for themselves.

Mr. Gary Foley, an Aboriginal activist said: "We will not be satisfied until the Aboriginal people have self-determination and this can only come when we have full control over our land and whatever money is necessary to establish economic independence.

"What we want is control over the land, the air above it, and what's underneath."

Under the Northern Territory Land Rights Act, about 25 per cent of the Northern Territory's 1.3m sq. kms has been granted to Aboriginals and further claims are being processed.

The Government maintains that minerals on Aboriginal land still belong to the Crown, but it has also recognised Aboriginals' spiritual ties to the land.

Thus under the law, exploration for minerals can take place on Aboriginal land but only with consent of the Aboriginal owners, but if they do consent to exploration they must by law, consent to mining. In theory it is up to the mining company involved to negotiate with the Aboriginal owners on compensation and royalties.

The Australian Mining Industry Council, which represents the non-oil mining sector, has criticised the Act, complaining that the Aboriginals' right to veto against mineral exploration is accorded to no other Australian landowner.

The white Northern Territory administration based in Darwin has also criticised the act as creating a series of "black states" in the territory.

The Northern Territory contains large reserves of uranium (an estimated 17 per cent of the western world's easily recoverable reserves), bauxite, copper and gold. The 27,500 Aboriginals and part-Aboriginals comprise 26 per cent of the population and 20 per cent of Australia's total Aboriginal and part-Aboriginal population.

An estimated 300,000 Aboriginals lived in Australia when white settlers arrived, 200 years ago. Today, there are about 20,000 full-blooded Aboriginals, most of whom live in the remote deserts of Northern and Central Australia.

So far, there have been no cases of Aboriginals actually preventing mining although negotiations are underway on a number of projects, including Pancontinental's uranium lease, which if developed could produce the biggest uranium mine in the world. Bitterness and suspicion created over Noonkanbah where the Aboriginals did not actually own the land but held it as pastoral lessees will not have helped.

Land rights at least give the Aboriginal communities some power to negotiate remuneration and terms on which mining will take place. For example, many communities object to mining townships being located near Aboriginal settlements because of the social disturbance caused by the introduction of alcohol, guns and single white miners who try to "buy" Aboriginal women.

The other main objection to mining is that it destroys the land, and for many Aboriginals, destruction of the land means destruction of the Aboriginal people themselves.

Sacred sites

For 40,000 years, Aboriginals are thought to have inhabited Australia and their spiritual relationship with the land is undeniable. Aboriginals believe that, for a child to be born, a spirit must first enter the mother's womb to give the child life. These spirits come from geographical sites on the landscape—sites associated with characters from the dreamtime, the time long ago when everything was creating. To destroy these sites would be to destroy the spirits of the living Aboriginals associated with them.

"It has become fashionable," said Senator Fred Chaney, Minister for Aboriginal Affairs, "to ridicule and condemn this spiritual association with the land, to insult Aborigines to whom it is still of great importance, and to assert that sacred sites are found only after mineral exploration has uncovered promising finds on Aboriginal lands."

There had been a failure among whites to accept the enduring qualities of Aboriginal culture, which despite all odds, had survived 200 years of intrusion of Western culture.

"The one aid to that survival has been land," said Senator Chaney, recently.

In the wake of Noonkanbah, the Federal Government has held meetings with both mining industry and Aboriginal leaders to try to facilitate what Senator Chaney has described as "an accommodation of interests" between the two groups.

Mr. Paul Phillips, executive director of the Australian Mining Industry Council, believes that "development without desecration" is possible, and says a high degree of mutual understanding and respect has already been reached between individual mining companies and individual aboriginal communities.

The Aboriginal view is a little less sanguine after Noonkanbah and only time will tell if a harmonious accommodation of interest can be reached between one of the world's most ancient peoples and the needs of the 21st century.

Patricia Newby

Uranium mining back in business —but royalty problems remain

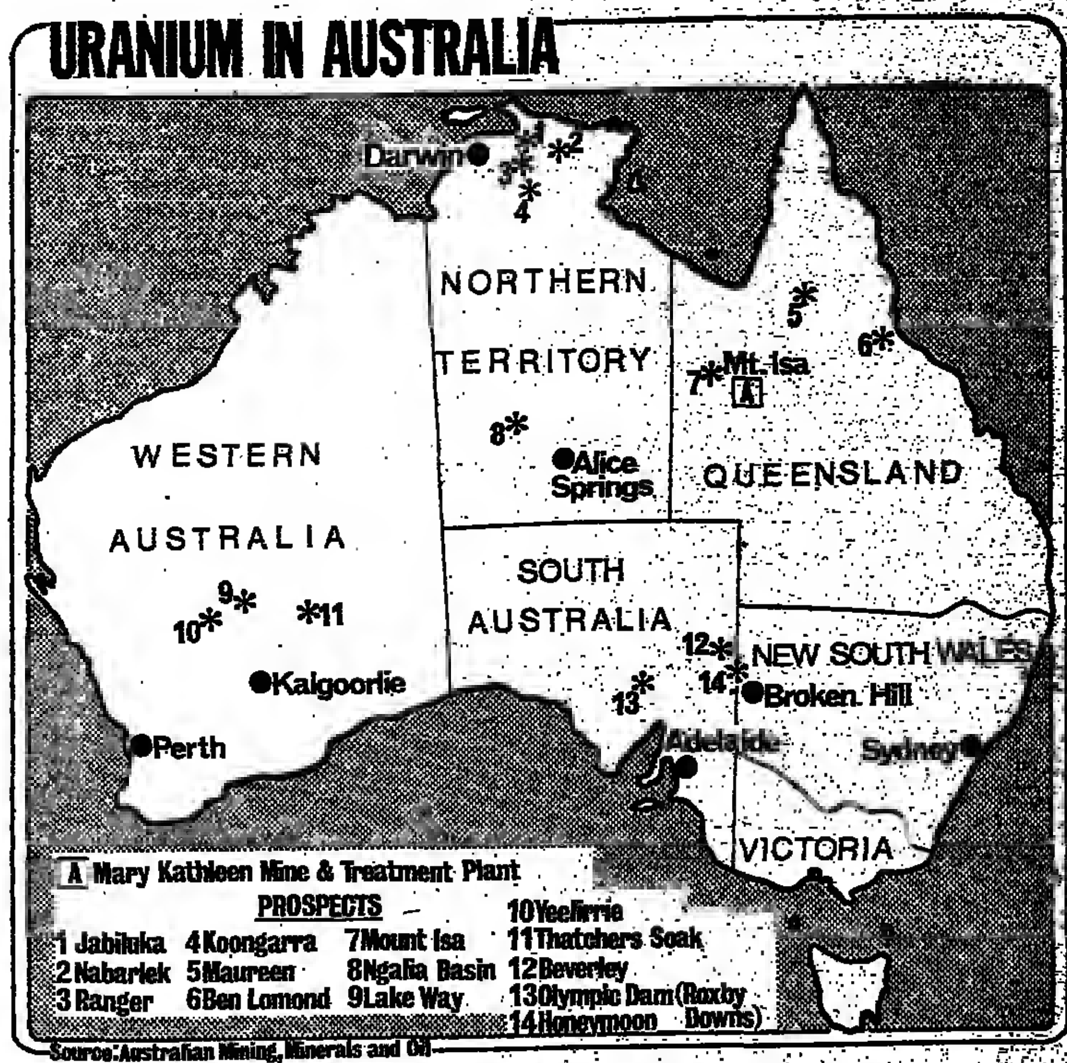
AUSTRALIA'S URANIUM mining industry is finally back in business. Within the past 12 months the relatively small, but rich, Mabarlik deposit in the Northern Territory was completely mined and the ore stockpiled for shipment.

Construction work is also well underway for the large-scale, long-term mining of the nearby Ranger uranium deposit, with production scheduled to begin late next year.

A new company, Energy Resources of Australia (ERA) has been formed to develop ranger with a peid capital of A$410m and is about to seek A$57.5m from Australian investors in the biggest public float yet undertaken in the country.

Exploration work is underway on a number of smaller, potentially commercial deposits in several States. After years of frustrating delays, which began with the election of a Labor Government in December, 1972, the industry and its supporters should now be relaxed about the outlook. But it is decidedly uneasy, aware that there are contentious issues still unresolved and how easily the gains achieved can be undone.

For example, the ERA float is now imminent, although it too has been subject to frustrating delays and was originally expected to take place about May. ERA has been put together to acquire the interests of the original ranger discoverers, Peko-Wallsend and EZ Industries. The prospectus is due in October—and so it now transpires is a federal election. For the uranium industry this raises the spectre that the Australian Labor Party (ALP) might regain office—a spectre because the ALP's current present party policy is to repudiate "any commitment of a non-Labor government to the mining, processing or export of Australian uranium."



Supply contracts

The ERA prospectus will draw attention to the ALP's policy but will also advance a number of reasons why the directors believe it is unlikely that any future Australian Government would prevent the continuing operations of ERA. The reasons include the fact that uranium supply contracts are held with utilities in several overseas countries, some of which will have an equity in ERA and that overseas banks and governments are involved in some cases.

The ERA directors argue that if an Australian Government acted against ERA it could do "immeasurable damage" to Australia's international standing and credit. The international and domestic banks, which have put up U.S.$390m in project loans, obviously accept these arguments.

But claims of immeasurable damage just might not sway the strong anti-uranium faction in the ALP. The possibility that a Labor Government will be elected on October 18 must be worrying to the industry, to investors and, importantly, to overseas customers. The ALP policy is officially backed by the union movement, but the unions are split on the issue.

The Waterside Workers' Federation, for example, recently voted to ban the export of yellowcake from the port of Darwin—the exit point for uranium from Nabarlek. The union also called on the Darwin City Corporation to declare the area a nuclear-free zone.

Whether such proposed bans will prove effective remains to be seen. But unions whose members will be employed as a result of uranium development are understandably in favour of such development. The Australian Workers' Union, for one, has made it plain that it will ignore the ALP policy.

The potential exists therefore for conflict within the union movement over the issue of uranium development. In September last year, the executive of the Australian Trade Council of Unions tried to convince the unions to allow Ranger and Nabarlek to proceed but this was rejected. If the Frazer Liberal-National Country Party Coalition Government is re-elected, the ALP would not have another chance at government until the end of 1983. By that time, Ranger will be well in production and other smaller projects could also be underway which would make it increasingly difficult, and increasingly unlikely, that a Labor Government would enforce its policy.

There are other thorny problems, not the least of which is Aboriginal rights. Companies wanting to develop uranium deposits in areas on which there is an Aboriginal land claim must first negotiate the "terms and conditions" of mining, including royalties, with one of the regional land councils acting on behalf of the traditional Aboriginal landowners involved.

This proved a lengthy process with Nabarlek and Ranger and the indications are that it could prove even more difficult in the future as the Aborigines become increasingly aware of their power.

A recent dispute in Western Australia over drilling for oil on a site claimed to be sacred to local Aborigines has aroused militancy among the Aboriginal community. The State Government actually stepped in and organised the drilling despite protests from the Aborigines, after the companies involved had halted work for fear of union reprisals.

The affair is not yet resolved with the unions still considering selective industrial action against the companies involved, the U.S. group, AMAX and the local industrial and mining group, CSR, which controls the drilling contract company.

More importantly, the Aboriginal land councils have decided to stop all negotiations with mining companies across Northern Australia until the W.A. Government enters into "meaningful negotiations." Maintenance of the ban would affect not only uranium ventures but other minerals, including the Ashton diamond finds in the Kimberly region of W.A.

The Federal Government can override any Aboriginal veto on mining in the national interest but wherever possible it would seek to avoid this fall back position. Aboriginal land rights is also clouding the prospects of resumption of exploration for uranium in the Northern Territory uranium provinces after a hiatus of several years.

Arnhem Land

There is a long list of companies seeking to explore the Alligator River Region, where the Ranger Province is located, and the Arnhem Land Region. The list includes major local companies such as BHP, CRA and MIM, and foreign groups such as Italy's AGIP Nucleare, Mioatome and AFNECO of France and Germany's Urangesellschaft and Uranerz.

Several oil majors including Esso, BP and Mobil are also keen to explore. The hiatus is a legacy of action taken by the Whitlam Labor Government which immediately slapped a ban on uranium hopefuls from negotiating additional uranium supply contracts.

Large scale development will not now go ahead until late 1981 and the question of development of other deposits, particularly the much larger Jabiluka deposit owned by Pancontinental Mining and the U.S. group, Getty Oil. There are a number of other potential uranium projects in other states, notably Western Mining Corporation's Yeelirrie deposit in W.A., in which the Exxon group is a partner, and the potentially huge Roxby Downs uranium-copper deposit in South Australia, involving WMC and British Petroleum. While the furore still rages, work is quietly going ahead into the prospects of setting up a commercial uranium enrichment industry in Australia.

Enrichment

The major Australian companies, BHP, CSR, Peko-Wallsend and WMC are involved in one study, and the Australian Government has also had discussions with the European organisation, Urenco/Centec on the possibility of uranium enrichment technology being made available to Australia.

South Australia and Queensland are vying with each other to establish enrichment facilities within their boundaries. While this activity goes on many observers believe that the Australian uranium industry, while it may not have actually missed the boat, will still suffer from the delay in production because the uranium market is now soft.

A number of studies on nuclear power generation indicate that it could be 1990 before demand for uranium catches up with supply. Britain's civil uranium procurement dropped out of the bidding for foreign equity involvement in the ERA, earlier this year, reportedly because it felt the price the Australian company was seeking for its yellowcake did not reflect the depressed state of the world market.

But ERA was still able to negotiate contracts with other countries including Japan, South Korea, Western Germany and the U.S. and has now tied up close to 90 per cent of the project's planned initial capacity, for the first 15 years of operations.

The debut of ERA on the Stock Exchange lists later this year will give a clearer indication as to how the local and international investors view the future prospects, which is usually a fairly reliable indicator. ERA will have an issued capital of A$410m of which A$57.5m or 14 per cent will be put by public investors at an issue price of A$1.00 a share.

James Forth

Union reform is vital to prosperity

OVER THE years Australian trade unions have acquired a reputation for bloody mindedness, equal only to that of their British counterparts which, in many respects, they closely resemble.

The frequency with which small, but highly-paid groups of workers have paralysed giant mining operations, cut off electricity supplies or stopped petrol deliveries has both exasperated the average Australian and driven their foreign customers, particularly the Japanese, to impotent rage.

Yet, when the record of the last five years is examined it can be seen that their power has been largely negative. They have been powerless to resist both a sharp increase in unemployment and stagnation in living standards for the bulk of Australian workers. The Liberal/Country Party Coalition Government of Mr. Malcolm Fraser may not have been very consistent in its overall economic policy, but in one area it has been very successful. It has managed to eliminate the sharp wage/productivity overhang it inherited from the 1974 wage explosion.

Compression of living standards has been achieved mainly by deliberately running the economy at less than full capacity and through monetary policies aimed primarily at bringing down the rate of inflation.

Wage spiral

Now however, with an investment boom in the offing and economic activity picking up across a broad front, the stage is being set for what could become another wage/price spiral which, more than anything else, could undermine the economic prospects for the decade ahead.

To prevent this happening will require political and economic management skills of a high order and the cooperation of a trade union movement which, at present organisation and past record, it is neither able nor willing to guarantee. A large part of the problem lies in the fragmentation of the trade union movement which claims 2.8m members out of a 6.2m labour force, organised into 312 federally recognised unions.

The typical union is organised on craft rather than industrial lines—again, a reflection of the British pattern, and the important role played by British immigrant unionists in the movement. At the centre lies the Australian Council of Trade Unions (ACTU) which, under the ebullient leadership of Mr. Bob Hawke has aquired a high profile—but done little over the last decade to rationalise or modernise the union structure.

Mr. Hawke, like many other influential union figures including the metal and shipworkers' union leader, Mr. Laurie Carmichael, believe that the union movement must reorganise itself on an industrial basis with fewer, larger unions backed up by adequate financial resources and a competent research and policy formulating staff.

Mr. Hawke is also on record as advocating acceptance of the U.S.-style labour contract system with fixed term, legally enforceable contracts.

Earlier this month, Mr. Hawke stepped down from the presidency of the ACTU in order to enter Federal politics as Labor candidate in the safe Labor constituency of Mills in Victoria. In a future Labor government, Mr. Hawke would become the Minister in charge of what would probably be an enlarged super-ministry with responsibility for labour, productivity and economic planning. Many see him as a rival to the present Labor party minister, Mr. Bill Hayden, although at this stage he is one of the three-man leadership team.

The current Labor party leadership has not forgotten the role which militant unions and leap-frogging pay claims played in compounding the economic problems of the last Labor Government. Labor's close relations with the union movement proved an albatross then and could do so again in the future.

It was in realisation of this fact that Mr. Hayden sought before the elections to establish some form of "social contract" with the unions which, shades of Mr. George Brown, would pledge them to keep wage claims to non-inflationary levels in return for greater consultation over economic policy and measures to improve the living standards of the poorest families and weakest members of society. The intitiative was received sceptically by unions and society at large.

Meanwhile, with the departure of Mr. Hawke the presidency of the ACTU falls to Mr. Cliff Dolan, a professional union apparatchik with little of Hawke's charisma. He is a strong supporter of the official union line which opposes uranium mining. This is a position which Mr. Hawke strongly opposes, fearing that it represents an electoral albatross for the labour party and is, in any case, impossible to enforce.

The uranium mining ban reflects another aspect of Australian trade unionism—its deep suspicion of the multinational corporations, especially the foreign mining corporations which play such a large role in the Australian economy. It is an article of faith for many unionists, as well as Labor politicians and supporters, that Australia has been, is being and probably will continue to be "ripped off" unmercifully by anonymous corporations based overseas who employ few people, extract allegedly extortionate profits and avoid tax, partly through collusion with Australia's own capitalist class and partly through sheer tax avoidance.

Under these circumstances many unionists feel themselves duty bound to obstruct these corporations where possible and, in any case, extract as much as possible in terms of pay and conditions from them.

It is the belief that the multinationals can afford it, coupled with the idea that lowering the working week will automatically lead to higher overall unemployment, which lies behind the current union campaign for the establishment of the 35-hour week.

Many unions are campaigning to see this principle accepted across the board. Mr. Hawke and more moderate union leaders have managed to convert this in practice into a selective campaign aimed at industries such as aluminium, which are exceptionally capital-intensive and for whom labour costs are virtually irrelevant.

But the main problem created by this general attitude towards the multinationals and the system is that current Australian wage bargaining, based on bi-annual settlements of minimum wage levels by the Australian Conciliation and Arbitration Commission (ACAC), includes wage comparability among its many criteria for judging wage increases throughout the economy.

In this way, there is a constant risk that high wages extracted by highly skilled workers in a fast-developing sector become transmitted through the system into a generalised wage spiral. Over the last five years, this has not been the case because the economy has been flat and wage settlements have mostly been lower than the rate of inflation.

The temptation will be to exploit this situation — especially as five years of wage restraint, coupled with a steadily rising direct and indirect tax burden on wage and salary earners, has created a strong pent-up pressure for higher wages and a share in the boom ahaad.

A sustained boom would indeed create the conditions for higher living standards. But nothing is more likely to prevent it than massive wage demands at an early stage, increased labour unrest and stoppages at major construction sites involving multi-million dollar investments.

Anthony Robinson

Mr. Robert Hawke, flamboyant former leader of the Australian Council of Trade Unions, who stepped down earlier this month to enter federal politics

Farm exports set for a record despite drought

BUOYANT WORLD agricultural commodity prices have made the outlook for rural Australia reasonably bright in the past couple of years—and for probably at least another few years.

"Just as well," many Australian farmers would say as they face higher inflation and rising fuel prices at bome and the possibility of higher interest rates, later this year, and gradual upward movement of the exchange rate.

Despite a debilitating drought last summer, which is still affecting parts of eastern Australia, the Australian Bureau of Agricultural Economics estimates that Australian agricultural exports will reach record levels, in dollar terms, for the financial year which began on July 1, 1980.

Volume is expected to remain much the same as last year's levels, hut higher prices sbould lead to a rise in export income of A$500m to A$9bn.

Gross value of total rural production is expected to rise to A$12bn but because of rising costs and inflation, net value of production, in real terms, is expected by the bureau to fall by about 11 per cent on 1978-80 levels.

The Burean says that while this represents an erosion of the buoyant conditions of the past two years, there have been only five years since the early 1950s wben real net value of agricultural production was higher.

The rural sector, although declining from its domioance in the 1950s, contributes 7 per cent of Gross National Product and accounts for around 45 per cent of export income — well ahead of minerals, at 30-35 per cent, and manufacturing at around 20 per cent.

Cereals

Cereals and grains at A$2.9bn were the biggest single revenne earner for Australia in 1979-80.

Wool and meat vied with coal for second place as export income earner, at around A$1.7bn each.

However, there is a growing feeling among farmers that this efficient aod mainly export-orientated sector is being increasingly disadvantaged by Government policy for the sake of other sectors, including mining aod manufacturiog.

Mr. Geoff Miller, director of the Burean of Agricultural Economics says there is no doubt that the rural sector would grow if tariffs were reduced to ease some of the pressure on inflation, interest rates and the exchange rate.

"Agriculture is the forgotten sector," said Mr. Don Eckersley, president of the National Farmers' Federation, after the 1980-81 budget was brougbt down last month.

"Government assistance to agriculture continues to be pruned beavily, while assistance to mining and manufacturing is *escalating* rapidly," he said.

Government assistance to the rural sector this year is mainly for itams such as research and promotion of primary products and some disease eradication programmes. Total assistance amounted to A$167m which was down on last year's allocation of A$194m and the 1978-79 level of A$252m.

At the same time, direct assistance to mining and manufacturing has risen to A$466m or by 177 per ceot, in dollar terms, in two years. This does not take into acconnt assistance to manufacturing in the form of tariffs and quotas.

Many farmers feel their vote is taken for granted by the ruling Liberal Party of Prime Minister Malcolm Fraser, himself a farmer, and its coalition partner, the National Country Party, which generally draws its voting strength from rural areas.

"The Government thinks farmers will never vote Labor, so they can go on squeezing the industry as mnch as they like," said one rural lobbyist.

Apart from double digit inflation which affects coats, farmers bave been particularly bitter about the Government's policy of raising domestically-produced crude oil prices in line with rises by the Organisation of Petroleum Exporting countries (OPEC).

On average, fuel represents about ten per cent of farm costs—and more for grain prodncers. Farmers argue that they are among the least able of all industry to convert to alternative energy sources because of their dependence on motor spirit for machinery. Rising oil prices also raise the cost of some fertiliser.

A number of experiments for farm production of fuel ethanol and methanol are under way, but obviously there is an opportunity cost in using land to grow crops for fuel production which could bave grown casb crops.

Increasing economies of scale bave belped to some extent to offset other adverse factors such as inflation and fuel price increases. Over the past 20 years there bave been a 27 per cent drop in the number of farmers and a steady consolidation of rural properties to just over 170,000.

The farming sector bas bad increasingly to farm "smarter" if not actually barder, in the past 20 years. The rural sector is particularly angry that while it has been trimming itself into better sbape other sectors of the economy are not being asked to make the same sacrifices.

Protection

Farmers were particularly incensed by the Government's recent decision oot to make any significant reduction to the levels of protection applying to manufacturing industry.

Because of the likely unemployment coosequeoces, the Government announced last month that it bad rejected recommendations from its tariff advisory body, the Industries assistance commission, to abolish quotas and reduce tariffs on textiles, footwear and clothing. The decision was seen as a crucial indicator of the Government's thinking on the whole question of protection for manufacturing industry.

The implications for farmers are that with the expected inflow of capital for mining development in the 1980s, combined with increased export income as mines start producing, coupled with restrictions on imports, there will be upward pressure on domestic inflation, interest rates and almost certainly the exchange rate—*all* of which hurt efficient (as well as inefficient) producers within the economy.

Mr. Eckersley said be was "staggered" that the Government, whose central plank of office was responsible economic management, could have capitulated so totally to sectional pleading and dismissed the long-term interests of the economy at large.

The analogy has been drawn between the Government's policy that the country must suffer substantial short-term costs because of longer-term objectives on oil prices and its unwillingness to apply the same logic to the question of protection.

Patricia Newby

Share markets go from strength to strength

A section of the Stock Exchange in Sydney. Each of the Australian State capital cities has an independent stock exchange but requirements for the listing of securities are common to all exchanges by agreement

AUSTRALIAN share markets are booming. Buoyed by strong buying support from overseas investors and fuelled by the obvious potential of the country's buge reserves of natural resources, the sbare market has made strong gains in 1980.

There have, of course, been some reactions: no market, even a hoom market, can rise for ever. Reactions are necessary to consolidate the gains which have been made before the market rises again to a new level.

Normally, the steeper the rise before a reaction, then the steeper the downturn. But the reactions have proveo to be minor and did litle to check the Australian market's beady progress. The market indices tell the story. The Sydney Stock Exchange all-ordinaries opened the year at 740.0 poiots and jumped 20 points on the first day of trading.

The all-ordinaries ooly went through the 700 mark near the end of 1979, after hovering around that level for about six weeks. But once it was breached it surged and, hy February 14, had reached a new peak of 947.47—a gain of 200 points io six weeks. At this stage brokers hegan to talk of breaking through the 1,000 harrier, and, in terms of *when* rather than *if*.

It is yet to happen. Tbe inevitable reaction set in, and then interest rates ahroad, particularly in the U.S., hegan a rapid upward spiral. The higher rates were mirrored to a much lesser extent in Australia, but hy June 30, the close of the financial year, the all-ordinaries were hovering around the 900 mark. Since then the market has taken off again and is currently looking strong.

On August 26, a new high was recorded, of 978.54. At September 12, the all-ordinaries were at 975.44, and most observers would concede that tbis time the 1,000 barrier is vulnerable.

New indices

A new series of indices, jointly introduced by the Stock Exchange at the start of the year, and intended to ultimately replace indices produced by the individual exchanges, illustrates clearly where the boom is concentrated. The national indices were designed to correct the undue influence of market heavyweights, sucb as BHP and CSR.

Several new categories were introduced, including an all-resources index and oil and gas iodex. Between January 2 and September 12, the national all-ordinaries index rose 31 per cent, from 515 points to 676.

This is almost exactly in line with the movement in the Sydney all-ordinaries, whicb had riseo 31.7 per cent by September 12.

The national all resources scored a gain of 39 per cent from 525 points to 730 points, but the front runner was easily the oil and gas index which jumped 57 per cent from 517 points to 812.

Rising OPEC prices for crude oil bas led investors to reappraise existing oil and gas fields, such as the Cooper Basin gas and liquids fields, in South Australia, which supply Adelaide and Sydney with natural gas. The price of shares in Santos, the major Cooper Basin partner have, for example, ranged between A$5.70 and A$15.00 this year, and currently atand at around A$13.00.

In the process, the colourful Western Australian businessman Mr. Alan Bond (currently in Newport, Rhode Island attempting once more to win the America's Cup) has made about A$100m. Mr. Bond bought a 37.5 per cent stake in Santos in mid-1978 for only A$36m, or A$1.75 a share from the Burmah Oil group. Investors have also been attracted to the A$5bn to A$6hn North West Shelf liqoefied natural gas (*LNG*) venture, which has now moved into construction, although a final go-ahead is yet to be annouoced.

The final commitment is contingent upon a bankable letter of intent being signed with Japanese utilities to take the LNG, but this is now expected to take place later this mooth. Shares io Woodside Petroleum, which bas a 50 per cent stake in the project, have risen strongly under heavy huying.

Investors have also displayed a penchant for eoergy stocks requiring advanced technological processes, such as oil shale and coal-to-oil.

Central Pacific Minerals and Southern Pacific Petroleum, two small companies duhhed the "Rundle twins" on the basis of massive oil shale deposits at Rundle in Queensland, have led the way. The tightly held CPM shares have ranged hetween A$47 aod A$73 a share and SPP from A$2.20 to A$28.50, although plans have now heen announced for large scrip issues to increase the amount of stock available in the market.

Development of Rundle to produce a synthetic oil capable of being used by refineries to produce gasoline could cost up to A$15bn. Yet the world's largest oil major, Exxon of the U.S., has joined with the Rundle twins aod indicated that it is prepared to finance such developoient, if necessary.

Moreover, the Rundle twios will immediately receive A$50m as a front-end payment and could receive up to A$130m, over five years. Australia has ahundant resources of oil shale, with many deposits larger than Rundle, in fact the Rundle twins have other deposits larger than Rundle. The endorsement of oil shale as a potential oil substitute hy Exxnn has boosted the price of a host of other small exploration companies involved in oil shale.

Share prices in Australia have actually been steadily increasing for some years and could probably be described as a bull market since 1978.

High commodity prices and solid profit growth as companies recovered from the wages explosion of 1973 and 1974 provided the *initial* impetus.

The genesis of the current hoom was soundly based. Leading stocks were clearly undervalued, whether measured on the hasis of immediate earnings potential, resources io the ground, or the cost of replacing existing plant and assets. Mnch of tbe surge in take-over activity, over the past two years, bas been due to the fact that it is cbeaper to acquire existing companies and their assets than to attempt to build new facilities.

This boom has been different from the beady Poseidon days of 1970. In both instances, it was the potential of Australia's *resources which provided the* spark, but ten years ago investors plunged more into speculative stocks. This time around the hlue chip stocks have been heavily traded, although the emphasis on speculative low-priced stocks is increasing.

According to mining men the exploration effort in Australia is now more soundly hased than it was in 1969-70, whicb was largely a hoom in pegging activity, often hy interests with little or no mining knowledge. This time around there is inteose activity in the field which, logically, must result in the ultimate revelation of new ore-bodies.

These factors, which help explain the reduced empbasis on spec stocks, this time around. The sharebrokers, mindful of the criticism they received in the wake of 1971 bust, have not heen "feeding" the boom by floating-off new exploration. There bave been floats, but on oowhere near the pace of ten years ago when it was common for *several companies to join* the lists eacb week.

Another important factor is that the small investor bas been largely unable to participate in this boom. Ten years ago, everybody from the office boys upwards were punting on the share market, often with extended credit terms. Local investors are again clamouring to join in the fun, but they are finding the sharebroking fraternity much less accommodating than last time around.

The brokers are stretched to the limit keeping up with the demand from existing clients and processing their orders. For many brokers, the bad old days of 1970—the inability to keep up with the paperwork, the bad dehts and so on—are still vivid memories.

Client lists

Many brokers have responded by closing their client lists and "*investors*" *trying to re-enter* the market, after an absence of several years, are finding it difficult to find a broker to accept their orders. Others are insisting on minimum buying orders of up to A$1,000.

Tbe brokers are aware that they will come under criticism. But they also remember the mauling they suffered after the collapse of the Poseidon hoom and for the indiscriminate manner in which many brokers courted business. They are determined that whoever is caught when this boom eventually collapses it will not be the brokers.

It is, therefore, the overseas investors who dominate the market, and the brokers are doing so handsomely that many do not mind the relatively small influence of local investors.

In the 12 months to June, the turnover in equities alone soared to A$8bn in Sydney, and A$4.3bn in Melbourne. This would have generated brokerage of more than A$180m on the two exchanges. There are reports that some brokers made a profit of more than A$1m in 1979-80, and stories of huge bonuses for staff.

Wide interests

Brokers report that buying support from overseas is widespread, coming from the UK, Europe, Hong Kong, and a relatively new development, from American investors. Foreign investors must place their money somewhere. And Australia, politically stable, energy and resource-rich and remote from the world's tension spots, must appear more attractive *than most alternative markets.*

U.S. funds, acutely aware of their country's energy needs, bave re-discovered Australia and are starting to allocate sums, for investment "down under," which are small by their terms, but substantial by Australian standards.

Another factor which has prompted foreign buying of Australian securities, including Goverument and semi-Government stock, is a widespread belief that the Australian dollar is undervalued and must be adjusted upwards, probably after the Federal Election.

The influence of foreign investors can be ganged from the fact that in the 1979 December quarter, portfolio investment capital inflow reached a record A$145m, only to be dwarfed by an inflow for the March 1980 quarter of A$300m.

Interestingly, the latest surge in prices has been occurring despite a renewed lift in domestic interest rates and indications that they could go even higher. The Australian Government is continuing to keep a tight rein on the economy in an attempt to restrain the inflation rate and there is a distinct possibility of a credit squeeze in the first half of 1981.

The outlook for 1980-81 is for only moderate growth of the economy. But it is the longer-term prospects on which much of the overseas buying is based, and on this count Australia stacks up well.

The current boom will be sustained as long as foreign investors are prepared to pump funds into the country. Despite the potential volatility on which *the boom is based few are* prepared to say when it will end. A victory for Labour, at the national polls on October 18 would probably seriously dent the confidence of overseas investors, but most sharebrokers believe that if the present Liberal-National Country Party Coalition Government is returned, there will be yet another forward surge in prices.

James Forth

A significant increase in defence spending

ACCUSATIONS of paranoia, scare-mongering and international grand-standing were levelled at the Prime Minister, Mr. Malcolm Fraser, over his reaction, earlier this year, to the Soviet Union's invasion of Afghanistan.

Mr. Fraser, a former Army and Defence Minister, has long held hawkish views on Soviet expansionism. The Afghanistan invasion gave him an opportunity to air his views abroad during a quickly arranged visit to the U.S., Britain, France and West Germany, and at home, where he fought a bitter campaign to persuade Australian athletes to boycott the Moscow Olympic Games.

He lost the Olympic boycott battle and, in recent months, trade with the Soviet Union has returned to near, if not total, normality after initial sanctions on grain and products such as rutile, which could be used in armaments.

Leaving aside the rhetoric from both sides, however, there are signs of a growing maturity about defence within the Australian community.

There is general consensus in Parliament and among the public at large that the days when Australia's defence policy rested solely on support for a powerful ally, are over. During this century that policy has taken Australia into three wars as Britain's ally and, more recently, the Korean and Vietnam wars as a U.S. ally.

Australian defence policy still relies on support for the United States as tha bastion of the western world's freedom. But there is also bipartisan agreement that Australia must have its own independent national capacity to defend its own interests in the region if necessary. And with this consensus has come the acceptance that such capability costs money.

Commitment

Both Mr. Fraser's ruling Liberal-National Country Party coalition and the Labor Opposition are committed to increased defence expenditure over tha next five years to bring it up to 3 per cent of Gross National Product by the 1984-85 financial year.

This year's budget, brought down on August 19 by Treasurer John Howard, boosted defence expenditure significantly in an otherwise fiscally stringent environment. For 1980-81, the defence budget is A$3.45bn, a 17.7 per cent rise over the previous year, in money terms, and a rise of 7 per cent in real terms. Defence expenditure now represents 2.8 per cent of Australia's GNP.

In percentage terms, this is still lower than most of the countries of the region. Taiwan, for example, devotes about 7.7 per cent of GNP to defence; Pakistan, 5.7 per cent; South Korea, 5.6 per cent; Singapore, 5.5 per cent; Malaysia, 4.7 per cent; Thailand 3.7 per cent; the Philippines and Indonesia, 3.4 per cent; and India, 3.2 per ceot. The only countires devoting a lower proportion of GNP to defence are Japan at roughly 1 per cent and New Zealand at 1.9 per cent.

The Government has refused a request that Australian troops in northern Australia become part of on American "ready-reaction force." Above: representatives of various Australian regiments march past a saluting base during a ceremonial parade

However, because of its high GNP, Australia spends more in cash terms than every country except Japan, South Korea and India.

This year's defence allocation in Australia means a 2 per cent real increase in expenditure allocated to manpower which represents 49 per cent of total defence spending.

Running costs, which represent about 28 per cent of defence expenditure, will be allocated an increase of 6 per cent in real terms, capital equipment expenditure will be lifted by 19 per cent, in real terms, and expenditure on capital facilities, which include bases and ports, will be boosted by 34 per cent, in real terms.

Growth in defence expenditure in real terms is expected to continue at around 7 per cent per annum over the next five years.

Announcing the increased expenditure to parliament last month, Mr. Jim Killen, the Defence Minister, said relations between the superpowers continued to he dominated by tensions and apprehensions and he pointed to continued Soviet occupation of Afghanistan and Soviet-backed Vietnamese aggression in Indo-China.

Mr. Killen said that against this background, Australia's national security could best be served by acting in concert with allies and by building the country's own independent capability.

"The central burden of deterrence of the Soviet Union must be borne by the United States," Mr. Killen said. Its willingness and ability to carry the heavy load of defence expenditure and to lead its friends and allies in an international deterrent effort were critical to the independence and security of nations, he said.

"This is the reason why, wherever we can, we should look favourably upon U.S. requests for assistance in projecting its deterrent strength into the Indian Ocean."

U.S. interest

Australia has already offered the U.S. port facilities for nuclear submarines and other vessels at Cockburn Sound, near Perth, in Western Australia. An evaluation team from the U.S. visited the existing naval base at Cockburn Sound earlier this year, to examine the cost and need for upgrading the base if the offer is accepted. A decision is not expected until after the American presidential election.

A U.S. evaluation team has also inspected Australian military airfields and consideration is being given to the possibility of using Australian fields for U.S. B-52 bombers.

Australia's readiness to offer its soil for American military purposes has drawn some criticism within Australia, where there is still deep-seated suspicion of American foreign and defence policy, following the Vietnam War debacle, in which Australian conscripts participated.

The Government refused a request, earlier this year, that Australian troops in Northern Australia become part of an American ready-reaction force. In the words of one defence man, "the suggestion went down like a lead balloon."

As part of the growing awareness that Australia must have some capability to defend its own interests in the region, the Army, Navy and Air Force were brought under the Department of Defence in 1975 to co-ordinate defence policy. The idea is that the armed forces should be capable, logistically and tactically, of operating together in Australia's defence, rather than as individual units under the command of a superior ally, although of course, in the event of war this might still be necessary.

Australia's small population (14m) and relatively few service personnel (less than 80,000 compared with, say, Indonesia's 239,000), makes defence of such a large country by manpower virtually impossible. Defence planning tends to concentrate on ways of beating off an intending invader before it reaches the shores.

Despite Australia's apparent vulnerability—a huge, sparcely-populated country, a long way from its major ally—long sea routes to the continent offer protection on which Australia hopes to capitalise by the use of long-range tactical fighters and submarines, which have been described by one defence planner as "a hell of a deterrent."

The Government is expected to announce within the month the successful contender for replacement of Australia's 89 Mirage jet fighters.

Major order

The Government will purchase 75 General Dynamics F-16 or McDoonel Douglas F-18 tactical fighters at a cost of more than A$2bn—the largest defence contract ever placed by Australia.

A recent decision has been made to replace *HMAS Melbourne* with a purpose-built "pocket" aircraft-carrier. The design will be chosen within the next 12 months, from Italian, Spanish and U.S. designs which have been under Australian Defence Department scrutiny for some time.

A decision has already been made to buy a fourth FFG frigate from the United States at a cost of A$280m.

The country's six Oberon Class submarines, three guided missile destroyers and River Class destroyer escorts are being substantially modernised. Follow-on destroyers to replace the River Class destroyers will eventually be built at Williamstown, near Melbourne, and the dockyard is undergoing extensive modernisation to prepare it for this and other shipbuilding in the 1980s.

The first of 15 Fremantle Class patrol boats, *HMAS Fremantle*, which was built in Britain, arrived about six weeks ago.

Other projects, some of which are part of a five-year rolling programme, include upgrading of facilities at the Indian Ocean naval base of Cockburn Sound in Western Australia; modernisation of the fleet base and dockyard at Garden Island in New South Wales; construction of a new military airfield, 30 kms south of Derby in north-western Australia; purchase of 18 light helicopters for training and surveillance; helicopters for the four U.S.-made FFG frigates; placement of orders for the first five of 10 patrol craft to be built in Australia; completion of the replenishment ship *HMAS Success* and placement of an order for a second replenishment ship.

Other projects include the construction in Australia of the amphibious heavy lift ship, *HMAS Tobruk*, which will be able to carry combinations of troops, tanks and helicopters; replacement of the Army's obsolete 5.5 inch guns with U.S.-made howitzers; and replacement of army trucks with 2,200 four and eight tonne vehicles.

An important emphasis of defence procurement is on transfer of technology to Australia, where possible. In general, the Australian Government tries to arrange at least 30 per cent of the value of substantial overseas capital goods contracts, whether military or civilian, for Australian manufacturers.

Substantial off-set deals have already been agreed, in principle, with McDonnell Douglas and General Dynamics for whichever wins the tactical fighter replacement deal.

This year, there is expected to be a growth in regular armed forces personnel of 1,580 lifting the overall target strength for June 30, 1981, to 72,591. This is in addition to a campaign to lift the Army Reserves from the current 22,000 to 30,000 by next year.

Defence equipment suppliers throughout the world have not been slow to cash in on Australia's changed perception of its defence capability. Advertisements for highly sophisticated aircraft and weapons are to be found in most general-interest magazines on Australian news-stands.

And for those who still believe in soldiers there are the nightly television advertisements for the Army Reserves. The advertisements have just the right mixture of sepia-washed nostalgia about past wars which may appeal to dad—and action shots of today's mechanised army to appeal, the army hopes, to his son.

Patricia Newby

Keeping a wary eye on Russia as new world role emerges

FEW COUNTRIES have undergone such a profound re-thinking of their position in the world in recent years as Australia.

The "tyranny of distance," which once condemned Australia to colonial isolation, has steadily lost much of its force as this vast and under-populated island continent, endowed with rich energy, mineral and farming resources, has shed its former Euro-centricity and come to terms with its geo-political role in the Pacific.

But the world's conception of Australia has also changed and seems likely to do so even more in the 1980s as the promise of a new minerals boom reinforces Australia's importance as a major supplier of minerals, energy and foodstuffs.

Looking forward to the next century, Australian strategic thinking anticipates the time when the countries of the so-called "Pacific rim" — a vast area embracing South-East Asia, Korea, Japan and China, the West coast of America and the Pacific islands, including Australia and New Zealand in between —could well represent the most important economic and strategic zone in the world.

Before arriving there, however Australian strategic and defence planners look forward somewhat nervously to a decade of increasing global tension with considerable potential for great power conflict both in Asia and the Indian and Pacific oceans.

The Foreign Minister, Mr. Andrew Peacock, summed up this assessment in a recent speech at Devonport in Tasmania when he said: "I believe the 1980s will be a different decade, one in which the world will breathe a harsher air and in which the potential for conflict will be very considerable."

It is this belief which has made Australia one of the most outspoken critics of Soviet expansionism, in general, and expansionism in Asia, in particular. Australia was and remains a harsh critic of Soviet backing for Vietnam and the latter's invasion of Kampuchea.

The invasion of Kampuchea, seen as a direct consequence of Sino-Soviet rivalry in the region, stopped in its tracks earlier Australian efforts, in line with other countries in the region, to try through aid and encouragement to wean Vietnam away from ever closer dependence on the Soviet Union.

In this the Prime Minister, Mr. Fraser and the Cabinet overruled the Foreign Ministry, which still argues in favour of trying to maintain links with and influence on Vietnam. It also doubts the wisdom of continuing to recognise the Pol Pot regime in Kampuchea.

The Foreign Minister has made no secret of his desire to follow the UK pattern and withdraw recognition from both the Heng Samrin and Pol Pot regimes. But the Prime Minister has taken the line that such a policy would undermine the policy of the ASEAN countries and a majority in the non-aligned movement which, despite their abhorrence of the crimes of the Pol Pot regime, still believes that to withdraw recognition would be tantamount to condoning the invasion.

Olympic boycott

Having watched with growing trepidation the encroachment of Soviet influence in south east Asia, Australia reacted vehemently to the subsequent Soviet invasion of Afghanistan. Mr. Fraser called on the Olympic team to boycott the Moscow Olympics, angrily condemned the team when it ignored the Government's policy and announced a series of restrictions on trade, commercial and cultural exchanges.

In practice, critics pointed out, this amounted to a large roar, but a rather small mouse. Australia has stopped Soviet cruise ships calling at Australian ports, refused landing rights to Aeroflot, cut down on cultural exchanges and scientific co-operation, but continued to sell nearly 4m tons of grain, large quantities of wool and other produce and, with an election looming, prepared to purchase a large floating dock from the Soviet Union which will be largely used by Soviet fishing vessels in the south Pacific.

But the most important consequence of the invasion of Afghanistan has been to facilitate a major re-equipment and expansion of the Australian armed forces. It has also reinforced Australia's commitment to play a more substantial role in boosting not only Australia's own defence effort but security generally in the Pacific and Indian Ocean areas.

In addition to re-equipping the air force with 75 new U.S. built fighters, boosting the navy and creating its own "quick-reaction force," the Government has also offered naval facilities at Cockburn Sound south of Perth to the U.S. and indicated its general desire to see a more powerful U.S. presence in the Indian and Pacific oceans.

The Australian willingness to make a greater contribution within the context of the 1952 ANZUS pact has been matched on the diplomatic level by moves to further improve relations with China — first recognised by the Whitlam government in 1972—and expressions of support for Thailand and the ASEAN bloc generally.

The Soviet response to all this activity has, in the words of one diplomat, been "more sorrow than anger" while the Labor opposition suspects that harking on "the red peril" is at least partly aimed at distracting the electorate from higher taxes and inflation. In broad terms, however, the need for higher defence spending and greater vigilance appears to be accepted by the country at large.

Closer to home, meanwhile, diplomats have closely monitored events in Vanuatu (formerly the New Hebrides) and admit to be concerned about the prospect of a similar but much more complicated situation arising in future in New Caledonia.

The presence of a much more numerous white Colon population, re-inforced by large numbers of hard line former Algerian pieds noirs, promises to create a delicate political situation not only for France but also for Australia. Diplomats suspect that Australia could well be called upon to give support to the native Melanesian population in the event of a contested independence campaign.

Australia has a special interest in the Pacific islands to its North and East. Virtually half of its $A544m foreign aid budget this year, for example, is earmarked to its former dependency of Papua-New Guinea.

Southern and South-East Asia receive most of the remaining Australian aid with Bangladesh at $31m receiving the largest single aid contribution.

In recent years, however, Australian academics and politicians have made a considerable effort to define their policy towards the Third World, in general, which goes far beyond the rather paternalistic aid hand out syndrome.

Australia, of course, with its massive dependence on mineral and other commodity and energy exports is, in many ways, a special case among developed countries. Its own experience of the vagaries of international markets and the tactics of multi-national companies has given it an insight into the problems faced by the poorer and more populous commodity suppliers in the Third World. It has given valuable support to their efforts to achieve both stable and higher prices through the Common Fund and other mechanisms and takes a close interest in north-south issues.

Australia has also uprated the attention it pays to Commonwealth affairs. The Prime Minister took a personal interest in Zimbabwe's independence and is credited with having played a role in changing the mind of Mrs. Thatcher at the Lusaka summit.

Trade relations

Inevitably, however, trading relations play the biggest role in Australia foreign affairs and this inevitably concentrates attention on relations with Japan, Europa, the U.S., the ASEAN countries and New Zealand.

The country is bracing itself for a massive new round of foreign investment to develop mainly energy intensive minerals production like aluminium and energy resources including coal, oil, gas and uranium. Western Europe's growing realisation of the economic importance of Australia as a market, investment opportunity and supplier has injected a new urgency into EEC-Australian relations and a new belligerency in Australian demands for greater success for its agricultural products.

The Community's agricultural commissioner, Mr. Finn Olav Gundelach, was left in no doubt of Australia's feelings on this subject during a visit to Canberra, in July.

EEC sales to Australia have climbed steadily towards A$US4bn annually in recent years, and Australia has threatened that future contracts—including some major ones like the breakthrough sale of four European airbus jets—could well be placed elsewhere if Australia's complaints were not heeded.

The main motive force behind these demands come from what the Labour Opposition describes as the "cabinet cockies"—an endearing term for the powerful landed interests in the national-country party who farm a key element in the ruling coalition Government. They are a force which the EEC ignores at its peril—a fact it now shows signs of having realised.

A.R.

Debate over foreign ownership

FOREIGN INVESTMENT in Australia is set to become a hot issue. The Australian Labor Party has nominated increasing foreign ownership and control of Australian industries and natural resources as a major issue in next month's national elections.

It has worked in the past—the degree of foreign ownership was an important issue in Labor's coming to power after the 1972 elections, after 23 years in the wilderness, and no doubt influenced its strongly nationalistic stance during its term of office. It also frightened-off foreign investors and the present Liberal-National Country Party Coalition Government has worked hard to restore their confidence.

In 1972, Labor capitalised on a rising sense of economic nationalism and it is apparently convinced that the tide is again turning in this direction.

"We must establish the means of developing our nation and our rich resources without losing ownership and control of them," the Labor Opposition Leader, Mr. William Hayden said, recently.

He was critical of the fact that, in its four years of operation, the Foreign Investment Review Board (FIRB) had considered more than 4,400 proposals by foreign investors and rejected only 30. More than 3,400 of the proposals were takeovers, involving a change from Australian control to foreign control.

He said a Labor Government would expand the functions of FIRB (which is actually an advisory body, it is the Federal Treasurer who decides whether or not to approve or reject foreign investment applications) to monitor and report publicly on the activities of multinational corporations in Australia.

Mr. Hayden also claimed that total foreign investment in Australia had jumped from A$8.5bn 10 years ago to A$15bn today, and accelerating at the rate of A$2bn a year.

Certainly, the foreign investment interest in Australia is accelerating. In the 12 months to June, the FIRB approved take-overs and projects totalling A$5.8bn compared with A$3.5bn (which includes a substantial Australian content), in the previous year.

Moreover, the applications are rising and the approval rate in the June quarter was 57 per cent higher than the average quarterly figure in 1978-79. The Labor Party claims that foreign controlled companies account for 59 per cent of value added in the mining industry and that more than one-third of all the profits of companies operating in Australia are earned by foreign owned companies.

The actual picture is difficult to establish, partly because the Australian Bureau of Statistics stopped compiling information on foreign investment in 1978 because the Government did not consider it an important priority.

Oil majors

The Labor Party has been particularly critical of the fact that the oil majors have been able to tie up large amounts of the country's energy reserves, particularly coal, but also uranium and oil shale. Moreover, the surge in OPEC oil prices have enabled the oil majors to pay huge entry prices which cannot be commercially justified in today's terms, and which the larger Australian companies cannot even go near matching.

Foreign investors will obviously monitor the situation carefully. Australia is poised to embark on a massive development boom in the 1980s, based on its abundant energy resources, and it will require substantial amounts of foreign capital.

The estimates of the funds needed for the projects already on the drawing boards, ranges from A$29bn to A$80bn. If Labor regained government, and this is regarded as unlikely, it would undoubtedly be a severe blow to the confidence of potential foreign investors. Even so, many observers believe that the present Fraser LNCP Government is adopting a harder line on foreign investment than is generally recognised.

Since taking office in December, 1975, the Fraser Government has softened the ground rules on foreign ownership. Instead of insisting upon a maximum foreign equity of 50 per cent, it set this as a desirable target, but made it clear that development would not be prevented if it could be demonstrated that genuine attempts had been made, and were unsuccessful, in attracting local equity.

In such circumstances, the Government would allow 100 per cent foreign ownership, if necessary. Uranium is an exception, but even here, Labor's insistence on 100 per cent Australian ownership was watered initially to 75 per cent and subsequently to 50 per cent.

But observers have noted a hardening attitude of FIRB and the Government to foreign equity levels, both in new projects and also in company takeovers.

A number of take-overs have been either rejected in recent months or the bidder has been forced to modify its proposal to accept a lesser equity percentage.

In the case of new ventures, two mining projects — Oaky Creek Coking Coal and Blair Athol Steaming Coal, both in Queensland — are regarded as important test cases. In both instances, the Government is being pressed to allow development to proceed, although the local equity is below the local equity guideline for new mining projects of 50 per cent.

In the case of Oakey Creek, the major partner committed itself before it had contracts, a step which competitors regarded as foolhardy, but it now has the contracts and only Government approval stands in the way of development. In the case of Blair Athol, the major partner, CRA wants to bring in Japan's EPDC to ensure contracts to justify development. The government was widely tipped to wilt under such pressures, but it has already held firm for six months and, so far, has resisted the temptation to make electoral capital by granting approval.

It could be that, even if the Fraser Government is returned to office, foreign investors can expect a tougher approach in the future.

James Forth

GERMAN DEBT AND THE ELECTION

The shadow of the Weimar wheelbarrow

JONATHAN CARR in Bonn examines the current German debate about the growth of the state's debts. While they are not excessive measured against those of other countries, the German memory of the inflation during the Weimar Republic, makes debt a hot political issue.

WHAT IS all this talk in West Germany about currency reform and stata debt? Recent foreign visitors have put tha question with genuine bafflement. After all, the Federal Republic is seen to have one of the world's best-run economies and one of its most stable currencies. Yet talk of reform and debt conjures up visions of the hyperinflation of the Weimar Republic in the 1920s, when workers had to collect almost useless paper money wages twice a day in suitcases and wheelbarrows. Why then the current debate?

The most obvious answer is that West Germany is in the middle of a general election campaign, and that the Opposition is trying to put the Government in a corner over its handling of State finances. But if this were all, then surely the whole argument would vanish after polling day on October 5. In fact, the Germans are in the middle of an argument—about the role of the State, public sector borrowing and inflation—which will not simply go away, however much the election has been a catalyst. And the way they resolve it has important implications for Germany's friends and allies.

It is safe to say that without the Weimar experience — and that of the 1948 currency reform —the Germans would not now be having the kind of debate which has emerged. It is not simply those who lived through both traumas who have become highly allergic to the smallest signs of inflation and financial mis-management by the state. Many Germans born after the Weimar era have gained a similar sensitivity from the experiance of their parents.

It would be absurd to suggest that anything similar to tha central bank independant of in prospect in the Federal Republic. Quite apart from other things, the country has a central bank independent of Government, highly jealous of its autonomy and only too aware of the fate of its Weimar predecessor which saw "shortage of currency" as the country's main problem.

But there is a feeling of unease about developments which most other countries, for better or worse, accept fairly easily. The current level of inflation is "only" 5.5 per cent a year (and declining), but Germans are not impressed by the argument that things are worse elsewhere.

The country had a current account deficit last year for the first time for 15 years, and it will have one nearly three times as big this year. The Federal Government has been borrowing funds from (among others) the oil producing countries. There are good reasons why this is a sensible move just now — but many Germans nonetheless wonder why their country, above all, should be borrowing at all. It would be nonsense to see the Deutsche Mark as a chronically weak currency — but it is not the high flier it used to be (a benefit to German exporters but not to the millions of ordinary Germans taking foreign holidaya).

Thase elements together tend to create a feeling of disorientation—fertile soil for the opposition Christian Democrats (CDU) and Christian Social Union (CSU) to intensify attacks on what they feel to be the Government's spendthrift policies. The voters are being told by the CDU-CSU that the Social Democrat (SPD)-liberal Free Democrat (FDP) government under Chancellor Helmut Schmidt incurs DM 5m (£1.17m) worth of new debts every hour and that total state indebtedness is now about DM 450bn "meaning a burden of more than DM 7,000 on every citizen."

Further, the German Catholic bishops have stepped into the debate—to the great annoyance of the SPD-FDP—stressing that they see the question of state debt as a moral issue. Herr Schmidt complains that if this is the case, why could the bishops not raise the point directly in talks they have had with him during the last few years? The bishops' stand was made clear in a letter read in most churches last Sunday and the argument about debt has become still more intense. The CDU-CSU insists that the Government is borrowing wildly aod leaving much of the bill for future generations. It is also implied that if policies are not changed, the day will come when debts cannot be repaid and a currency reform will become inevitable.

The Federal Government has pointed out, first, that if it is to be blamed for spendthrift policies and excessive borrowing then a similar accusation should be levelled at the provincial states (the *laender*) and the municipalities. While the Bonn Government's debts rose from DM 45.4bn in 1970 to DM 207.4bn last year, those of the *laender* rose from DM 48.5bn to DM 139.6bn and those of the municipalities from DM 45.6bn to DM 87.9bn. A majority of the *laender* have CDU-CSU governments and they hold the sway in the Bundesrat—the upper house of the Bonn Parliament whose agreement is essential on tax policy.

Further, Bonn argues that it comes very well out of an international comparison—on the basis of relating public sector debt to gross national product (see table). It is added that the West German debt by this measurement remains relatively small—even though most

Deficit spending after oil crisis

other countries have higher inflation rates which act to depress their debt shares in this particular "league table."

There is much in these arguments—but the matter is more complex than that: indeed so complicated that it does not lend itself to the kind of analysis common during an election campaign. For one thing the international comparison says nothing about the historical basis for the debt in each country. In Britain, for example, the size of the debt remains affected by war loans while Germany's Reichsmark debt from the war was removed via the 1948 currency reform.

Second, this comparison does not show the tempo at which state debt had been increasing—and in West Germany's case this has recently been quite fast (from 24.5 per cent of GNP in 1975 to 29.4 per cent last year). Nor does it show what is perhaps the key point—the increase in the so-called "interest quota," that is the sum the State is paying in interest on existing indebtedness in relation to total expenditure. In 1970 the interest quota (for Federal Government, Laender and municipalities together) was 3.4 per cent. This year it will be about 6 per cent. Meanwhile the state's credit financing quota—the proportion of public sector expenditure being financed through new credit—stands at about 10 per cent.

In a nutshell this means that more than half the new credit being taken up by the state is now going to pay the interest on existing debts. Unless there is some marked change in the next few years, the state could well be using all its new credit to make interest payments. That is still a very, very long way from suggesting that a currency reform is around the corner. But it will markedly reduce budgetary room for manoeuvre; and there is good reason to feel that, while this situation might be tolerable for other countries, the Germans will not be content to see things go that far.

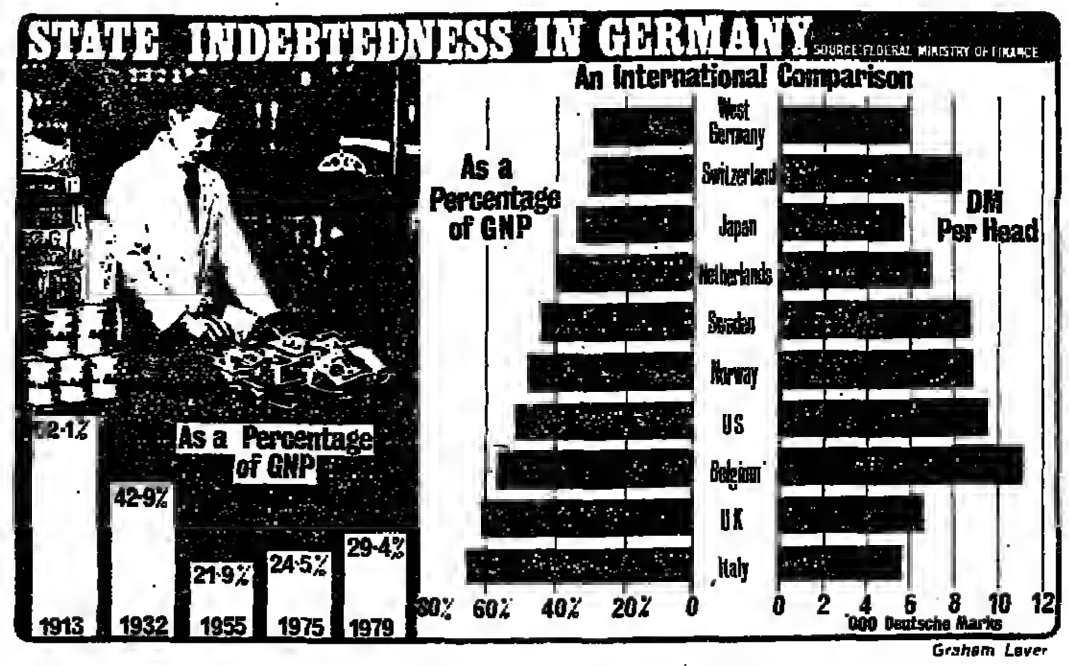
How did the Germans get into this position? One answer is the deficit spending to help hoost the economy in the years after the first oil crisis—a total of DM 35bn in tax benefits and DM 35bn in road-building, energy-investment and other programmes sioce 1975. It could he argued that the Germans spent too much, but then roughly DM 12bn of that was produced in response to pressure for more economic stimulation by other countries at the Western economic summit conference in Bonn in July, 1978.

The opposition CDU-CSU says it would have made a better joh of all this. But it has also made proposals for costly tax-cutting and other schemes over the years, and it is hardly certain that had it been in office, it would have refused to make the kind of concession which Herr Schmidt produced at the Bonn summit.

The broader answer may be that the Germans have been living beyond their means—that the state is providing more services than its citizens are willing or able to pay for. On the face of it this criticism applies better to many other countries than to the Federal Republic—but, for reasons explained, that kind of comparison does not cut a lot of ice with West Germans.

The practical conclusion is that the moment the election is over—and regardless of which side wins—the red pencils will be out. The word is that the Government is heading for one of the toughest budgetary savings campaigns ever, and no item will be considered exempt in advance. That goes among other things (perhaps in particular) for European Community expenditure. Unless all the domastic signs deceive, West Germany's EEC partners will in 1981 be facing a country less than ever disposed to buy political agreement with more cash.

To the Germans the Weimar inflation was a traumatic experience. To a foreign observer like the British Ambassador in Berlin, hyper-inflation had its diverting side. He calculated in 1923 with some apparent pleasure that for his one pound Sterling he could obtain as many Reichsmarks as there had been seconds since the birth of Christ. But for Germans who saw prices rise by the hour, whose savings of years were destroyed in weeks, the world became horrifying and baffling in equal measure. Why was it happening, one woman askad a baker whose rolls cost more in the afternoon than in the morning. "He didn't know . . . his customers didn't know. . . . It had somahow to do with the dollar, somehow to do with the stock exchange . . ."



A shopkeeper (left) with a tea-chest full of banknotes during the Weimar inflation

Letters to the Editor

Rates as a cost of production

From the County Treasurer, of Warwickshire

Sir,—On several occasions recently the payment of rates by commerce and industry has been related to profitability. In reporting Professor Foster (September 15) you raise the issue yet again.

While rates are, without argument, a tax, they are not a tax on profits but on the occupation of property. Rates are, therefore, a cost of production and as such any increase should more properly be compared with other costs of production or operation in any examination of tbeir burden.

The practical effect of reducing the rate burdeo would of course be to increase tha charge to Corporation Tax for those wbo actually bear tax—a somewhat dubious benefit!

Professor Foster's reasoning takes as datum the decline in the real profitability of industry hut that is, in itself, a variable, the reasons for which are endlessly documented. It is compounded of rising costs—all costs—failure to achieve higher productivity and to maintain or expand markets and price restraint in the past, among other factors. One detects a search for a whipping-boy in the selection of rates as a major cause.

Naturally, I support the view that domestic ratepayers receive good value for money hut neither in their case nor for industry and commerce can one escape the factt hat rates are a tax and not a payment for services rendered. However, just as the incidence of the rate burden has been shifted from domestic ratepayers by the political decision to introduce domestic rate relief (though the real value of tbat relief haa not been maintained over the past six years) it could be changed again.

Incidentally, I know of no serious attempt to assess what benefits industry does derive from services provided by local government. Such an analysis might demonstrate that the benefits are greater than is generally assumed.

The fact remains that however successful local authorities may be in reducing their spending in response to Government requests—and their past record has been outstanding — the remaining expenditure must he met either from direct cbarges, if thet were to become a generally acceptable hasis or from taxatinn.

If industry and commerce are relieved of rates an increased burden will fall on personal taxation. Will such a shift then generate the same pressure to relate tax payments to services provided hy central government as is currently being applied to the payment of local authority rates?

R. Hunt.
County Treasurer,
P.O. Box 3, Shire Hall,
Warwick.

Where the axe really falls

From Mr. John Whall

Sir,—I make no criticism of your objective editorial comment (September 19) regarding Mr. Michael Heseltine's reteotinn of £200m from Government's rate support grant to local authorities.

Nevertheless it must be said that the majority of the mcdi- appear to believe that "the axe" aa they so naively refer falls upon the heads of profligate councils aod recalcitrant authorities.

Not so, being what they are the ratepayers will be the victims as usual by the simple expedient of a pickpocket operation to make up the loss of RSG.

If privately operated companies carried on husiness in the same irresponsible manner as many public authorities, the directors would soon find themselves accused of misappropriation of funds.

Government might well have received greater support from ratepayers if tbe withdrawal of RSG meant that the loss could not be made up by simply increasing the rate demand.

John Whall.
25, Guinness Court,
Apenue Road,
London NW8.

Don't blame the banks

From Mr. W. Grey

Sir,—The charges Clare Macdonald (September 17) has seen fit to level against "the banking fraternity" are really addressed to tbe wrong quarter. Whether she likes it or not, hanks are in the husiness of lending — not issuing — money, and any hlame for overshooting of the money supply target attacbes not to tbem but to the monetary authorities, whoever they may he. They should not be tarred with the same brush.

Her not altogether original proposal of "a permanent Monetary Commission directly responsihle to Parliament," if not the Treasury, as "the sole office of issue" is equally wide of the mark when, in fact, the Bank of England is charged with that joh already.

If the latter has been making a hash of it, what guarantee is there that another, let alone a third, hody would necessarily do any hetter?

Perbaps the real fault lies in the Bank's constitution—in its being the creature of, and hence unduly subservient to, tbe Government and Parliament of the day rather than, like (say) the German Bundeshank, being left to discbarge its appointed task with proper accnuntahility yet tbe minimum of political interference.

Could the Government, which of course bears the final responsibility, address itself to that question?

W. Grey.
12, Arden Road,
London, N3

Civil Service pensions

From the Secretary, Council of Civil Service Unions

Sir,—Mr. Bryant (Sept. 17) is being most unfair when be accuses me of misleading the public. My letter (Sept. 15) made it perfectly clear that the Civil Service pension scheme is a "pay as you go" scheme and that the contrihution of serving civil servants to their retired colleagues' pensions only relates to current expenditure. If any misleading is being done, it is by those (like the Centre for Policy Studies) who apply the different criteria concerning funded schemes to non-funded, "pay as you gn" schemes like the Civil Service. The whole basis of the spurious claim that civil servants don't pay enough for their pensions collapses if this mislaading (and here I fully agree with Mr. Bryant) comparison is not made.

My point in referring to tbe costs involved if the Civil Service scheme were to be funded sought to sbow that it is not civil servants who don't pay enough for pensions, but their employer, the Government. A funded scheme would cost serving civil servants nothing extra (we already pay an effective 8¼ per cent contribution), but the currently unpaid employer's contribution of £500m or so a year would have to he paid. If that shows the "true cost" (as Mr. Bryant puts it) of staffing the public sarvice, then so he it.

Finally, I fully sympathise with Mr. Bryant's point about private sector pension funds: there should indeed he parity of treatment so far as all pensioners are concerned. This is achieved across the Channel in France, where all pensions are effectively index-linked with a maximum cootrihution rate of 16 per cent shared equally between employer and employee. As I said in my earlier letter, it is this sort of deficiency in British occupational pensions schemes that the Scott Inquiry should examine, not the wholly reasonable and economic metbod of pensions financing used by the Civil Service.

P. D. Jones.
19, Rochester Row, SW1.

ICI and the pay award

From Mr. S. Newton

Sir,—J. L. Humpbreys (Sept. 5) should make sure of his information. ICI paid 3 per cent interim award in February 1980, with a further 16 per cent from June 1980. Of this, some 7 per cent bad been earned hy the *staff in improved productivity*. Thus tbe true pay award was worth around 12 per cent — not an excessive settlement hy any means, and certainly well below the increase in cost-of-living for the year.

This award shonld be cited as an example of wbat can be achieved by proper and full negotiation between a sensihle (and sensitive) Company and its well-informed and realistic employees. The latter are kept fully informed of most business matters, including the unhappy state of the economy and its effect nn Company finances.

S. Newtoo.
32, Kenton Close, Hartburn,
Stockton-on-Tees, Clereland

Our crumbling buildings

From Mr. P. A. Kreamer

Sir,—Yes, Mr. Mason (letter September 10) it is "a sorry reflection on our coostruction processes" that huildings fall to bits.

But the "process" is the thing at fault noi the "construction." It is the process which enables the blame for failure to he shifted from one party to another until nine times out of ten it finishes where it bagan: with the customer putting his hand in his pocket to settle another hill.

A lifetime in the industry has drawn me to conclude that there is only one thing the customer can do really to protect himself. He must order his complete huilding from one substantial supplier who is prepared to take the risk from both design or constructinn failure. It is for this reason that my career has recently taken me to my presant company. Here it is we who are responsible for the site access being right: we who insure tha foundations: we who ara responsible for the frame being strong enough: we wbo come hack if the roof leaks: we wbo make sura the building works and only we.

You are paying us for our skill and judgment, we logically accapt the risk attached to it being wrong. Mistakes cost money, ooe doesn't make too many when it is your own money.

P. A. Kreamer.
Marketing Director,
Lesser Design and Build,
The Lesser Building,
Stolnes Road,
Hounslow, Middx.

The cash or plastic decision

From Mr. John Lidstone

Sir,—Tbe recently published report of the Monopolies Commission on credit cards and the issues it tackles, reminds ma of a conversation I overheard.

I was waiting to settle my bill at the end of a stay at a motel at Leura some 60 miles from Sydney.

The Australian in front of me asked for his hotel account. Then taking out his wallet he said to the cashier:

"I am quite bappy to settle my bill paying by cash so long as you give me a 5 per cent discount. If not then I will settle hy card." To which the casbier replied: "Sorry sir, I am not allowed to give any discounts."

The hill was settled by card and the hotel ended up paying a discount to the card company.

John Lidstone.
Deputy Managing Director,
Marketing Improvements,
17, Ulster Terrace,
London, NW1

Our cricket failures

From Mr. J. M. Pereira

Sir,—Contrary to wbat has been, is heing, and will he said about cricket being a team game and also about test match victories resulting from team effort and all that, the truth of the matter is that all the great and successful teams have beeo huilt around two or at most three outstanding individuals.

This England cricket team, whose parformance this season I have followed, through the radio and io the writing of Trevor Bailey in your newspaper, with much interest and great expectations, failed their followers because, candidly, they have none.

None to match the anthority of Chappell, the brilliaoce of Richards, tha craftsmanship of Gavaskar and the dexterity of Miandad, with the hat. None to match the entousiasm of Kapil Dev, the ferocity of Lillee, the guile of Bedi and the hostility of Holding, with the hall.

Of course, the Boycott, Gooch and Botham combinatioo had makings of becoming world heaters, hut then that was before the captaincy was given to Botham, with such unfortunate results.

Alas, in persisting with Botham for the *West Indies* tour the England selectors show a total lack of ideas and what is worse, refuse to learn from recent history.

J. M. Pereira.
P.O. Box 5725, Karachi,
Pakistan.

Today's Events

GENERAL

Europeao Parliament's Committee on External Ecoonmic Relatioos hears evidence from Commonwealth coutries oo EEC trade prafarences. Cambridge.

Sir Derek Ezra, National Coal Board chairman, aod Mr. G. A. W. Blackmao, Shell Traosport and Tradiog chairman, are among speakers at energy sessioo of Clean Air conference, Bournemouth.

Natiooal Research Development Corporation publishes annual report.

Mr. William Whitelaw speaks at opeolng of how to beat the vaodal conferaocc aod exhibition, Imperial College, London (to September 24).

Consortla competing for the south west television franchise make public representations.

Headmasters confereoca npens, Ediobuigh (to September 25).

Sir Peter Gadsden, Lord Mayor of London, visits H. P. Bulmer, Hereford.

Opencast Mining and Quarrying Exhibition and Conference opens, Kenilworth (to Saptember 26).

Overseas: Sir Geoffrey Howe, Chaocallor of the Exchequer, travels to Bermuda for the Commonwealth Fioaoce Ministers' annual meeting.

EEC Budget Council meeting to discuss 1981 Commuoity Budget, Brussels.

Geoeral conference of United Nations Educatinnal, Scientific and Cultural Organisatioo opens in *Belgrade (to October 28)*.

OFFICIAL STATISTICS

Department of Employmeot publishes provisional September figures for unemployment and uofilled vacancies. New vehicle registratioos for August.

COMPANY MEETINGS

Dura Mill, 3, China Lane, Piccadilly, Manchester, 3. Imry Property, Connaught Rooms, Great Queen Street, WC, 12. Midland Trust, Britannic Assurance, Moor Green, Moseley, Birmingham, 3.30. Western Board Mills, Angel Hotel, Cardiff, 3.

COMPANY RESULTS

Final dividends: A.B. Electronic Products. Amber Day Holdings. Barratt Developmeots. Celtic Haven. Interim dividends: Aurora Holdiogs. Bank of Scotland. Copydex. Elbar Industrial. Harris and Sheldon Group. Kleinwort Benson Lonsdale. London and Scottish Marine Oil. John Menzies Holdings. Sandhurst Marketing. Stag Furniture Holdings. Stewart Wrightson Holdings. United Newspapers.

Tarmac expects good result

THE EXPECTED improvement in 1980 first half results of Tarmac roadstone and civil engineering group, emerges as a rise in pre-tax profits from £7.49m to £13.56m on turnover of £425.3m, compared with £338.04m.

Due to current economic conditions, the board has taken a cautious view of the rest of this year, but nevertheless they expect pre-tax profits to show an improvement over the record £38.03m of 1979.

Stated earnings per share in the first half are up from 7.45p to 14.63p and the interim dividend is lifted from 5p to 5.5p—the final last year was 8.75p.

Pre-tax profit is struck after interest of £5.1m against £2.88m, but includes an exceptional profit of £1.82m, arising from the disposal of the shareholding in Viking Oil.

The quarry products' division's results improved significantly, helped by the good weather in the first few months. The building products side also improved substantially as did the properties and industrial divisions, the latter benefiting from the sale of Viking Oil shares.

The directors say conditions in both the UK and overseas construction markets continue to be difficult and the group's two contracting divisions performed generally in line with the first half of last year.

The recession in the UK has reduced demand for private houses and this, coupled with high interest rates, has adversely affected the performance of the housing division in the first six months.

Tax charge in the first half is £5.42m (£3.37m) leaving net profits at £8.14m, compared with £4.12m.

Minorities take £7,000 (nil). The preference dividend again absorbs £5,000 and ordinary dividends take £3.07m, against £2.76m. An amount of £5.05m, compared with £1.35m is retained.

Lex, Back Page

HIGHLIGHTS

Conflicting profit news emerged from the corporate sector yesterday. Lex looks at the further decline at Fisons where interest costs are proving a severe problem and, although the dividend has been maintained, the outlook continues to be difficult. At Tarmac on the other hand profits are well up in the first half and even though conditions are tough the full year should also show an advance. Lex takes the opportunity of the publication of the second quarter national income figures to look at aggregate profits trends in the company sector. Profits seem to be holding up better than some of the economic forecasters had been predicting.

Ransomes' profits ahead midway

TURNOVER OF Ransomes Sims and Jefferies increased from £19.75m to £27.48m for the six months to June 28, 1980. Pre-tax profits of the machinery manufacturer rose from £1.21m to £1.66m after interest charges of £1.55m, compared with £808,000 last time. Last year there was an associates' contribution of £23,000.

Directors say second half results will be affected by the significantly more difficult trading conditions recently due to the effects of the recession and the unfavourable trends of costs in the UK relative to those of foreign competitors. Action has been initiated in response to this situation.

However, they add, it is still possible that for the year as a whole some improvement on the previous year may be achieved.

Tax this time took £412,000 (£240,000) and there was an extraordinary debit of £264,000, against a credit in the same period last year of £35,000. Stated earnings per £1 share were better at 22.3p (17.4p) and the interim dividend is held at 3.14p net. Last year total dividends of 11.14p were paid from pre-tax profits of £2.86m.

The first half improvement, the Board says, has been mainly due to growth in sales of professional grass cutting machinery products.

The company has reached an agreement with the privately owned Hamech Holding Company—for many years the exclusive distributors of Ransomes' electric fork lift trucks for Great Britain—for them to acquire the design rights for these trucks and the responsibility for world-wide distribution. They will take over the assembly and finishing but Ransomes will continue to manufacture component parts.

Hamech will acquire the design rights together with the related stock-in-trade for £2m, the approximate book value of such stock. Approximately one-third of the stock will be transferred to, and payment will be made by, Hamech within the next four months, a further one-third no later than March 31 next year, and the balance during, but no later than, the next 2½ years.

To assist Hamech in financing the transaction, the first £650,000 received by Ransomes will be applied in the subscription of 650,000 £1 redeemable cumulative 12 per cent preference shares in Hamech at par.

These shares will be redeemed at a premium over par in seven equal annual instalments of £150,000 commencing in December 1985. The balance of the consideration will be applied in the reduction of Ransomes' short term borrowings.

Directors say the current depressed rate of order intake, particularly on the farm machinery side, will make necessary a 20 per cent reduction in production programmes from those originally planned.

Provision has been made in the half year figures under extraordinary items for all the expenditure expected to arise in carrying out closures and reorganisation.

● comment

A pleasing set of first-half figures from RSJ—but the bearish second-half indications were sufficient to bring the shares down 3p to 160p, where they yield a little over 10 per cent assuming a maintained final. The Wisconsin acquisition chipped in around 10 per cent of profits this time round, while professional grass cutting equipment came along well. It is hoped that the move to Ipswich will sort out Dorman's remaining problems, giving some profits headroom to help offset the squeeze which local authority spending cuts must mean on grass-cutter sales. The dull spot is interest charges, with borrowings still around the year end level of £16.7m, and group gearing nudging 70 per cent. The signposts are up for profits around last year's level, indicating a fully-taxed p/e around 6.6.

J. Walker goldsmith tops £4m

AFTER advancing from £1.1m to £1.33m in the first half, James Walker Goldsmith and Silversmith ended the year to April 26, 1980, with pre-tax profits ahead from £3.44m to £4.02m.

In their interim report, the directors said that recent acquisitions had not then made any contributions to profit but worthwhile results were expected from them in future months. Trading continued to be satisfactory.

Earnings per share at the year end are stated as 17.9p against 9.4p and a final dividend of 3p effectively lifts the total from 2.916p to 4p.

H. Sykes omits midyear payment

The predictions made by the Board of Henry Sykes last April that current trading indicates the company is on the way to recovery have not been borne out.

For the half year to June 29, 1980, taxable profits of this pump manufacturer dropped to £152,000, compared with £375,000, despite sales improving from £10.42m to £11.94m during the period.

The chairman, Mr. A. E. Hepper warns that the immediate outlook is extremely uncertain and says it is impossible to make any realistic forecast. But he adds that the company is continuing to adjust to meet market conditions and with good products and a strong asset base, it will be able to take advantage of any improvement in the economy.

The interim dividend is being passed. Last time 1.5p net was paid followed by a final of 2.5p from pre-tax profits of £250,000.

Referring to the past six months' trading, Mr. Hepper says that from the middle of April, in common with most other engineering companies, Sykes experienced a severe downturn in the level of sales in the UK, which is the traditional mainspring of profit for the group.

Export sales were at record levels, he says, but margins came under pressure due to the strength of sterling and increased competition.

High interest rates also hit the group. With borrowings up in the half year interest charges came out £203,000 ahead at £444,000. There was an exceptional debit this time of £45,000.

Tax was reduced from £282,000 to £88,000 leaving earnings per 25p share of 0.6p (3.4p) before extraordinary items of £21,000 (£41,000).

NTHRN. INDUSTRIAL

Net profits of Northern Industrial Improvement Trust rose in the 12 months to March 31, 1980, from £58,517 to £93,044. Investment and net rental income increased to £173,778, compared with £128,431.

Tax for the period was higher at £52,067 (£43,667) but earnings per £1 share advanced to 7.62p (4.79p).

Estates & General sees less for year

AN INCREASE of £9,000 to £475,000 in pre-tax profits is reported by Estates and General Investments for the six months to June 30, 1980, but in view of the current economic climate and high interest rates, the board does not expect results for the year to be as favourable as last year's pre-tax profits of £1.03m.

After tax down from £245,000 to £195,000, stated earnings per 20p share are 1.57p (1.26p), and the interim dividend is unchanged at 0.55p—last year's total was 1.4p.

Turnover in the first half was down from £1.89m to £1.79m.

The pre-tax figure was struck after interest substantially higher at £572,000 compared with £388,000, but includes a surplus on disposal of properties amounting to £225,000 (£4,000).

Losses at Mogul hit Silvermines

A FALL of £126,088 to £756,130 in pre-tax profits is reported by Silvermines, the Dublin-based company, for the half-year to June 30, 1980.

Operating profit was down from £168,700 to £163,850, but associate Anglian Windows contributed profits of £628,650 (£363,356). Mogul of Ireland, however, saw its contribution of £252,152 for the corresponding last year turned into a loss of £36,400.

The losses from the mining interests of Mogul were due to the depressed prices of base metals and substantially higher production costs. Unless there is a substantial improvement in prices and costs can be contained, the second half will show a further and possibly greater loss for this company.

Irish tax paid was £443,145 (£449,000).

Silvermines' stated earnings per 2½p share are 3.72p (3.98p) based on pre-rights issue capital as full proceeds of the issue were not received until June 25, 1980. The interim dividend is unchanged at 1p—last year's total was 3p from pre-tax profits of £1.67m.

Despite a slight falling of in production and shipments, income from the Magcobar royalty for the first half amounted to £167,285.

Losses are trimmed at Kean & Scott

Taxable losses of furniture retailer and manufacturer, Kean and Scott were reduced from £72,000 to £62,000 in the year to March 31, 1980. Sales rose from £440,000 to £917,000 during the period.

The figure was struck after reduced interest charges of £14,000 (£21,000) but there was no tax credit this time (£2,000). Stated loss per 25p share is 15p (16.8p).

The results do not include Keen and Scott (Finance) which was sold on November 30, 1979.

Mr. Mostyn Levein, the chairman, has sold 180,000 ordinary shares at 20p each of which Hawley Leisure has purchased 125,000 (29.76 per cent of that class and carrying 25 per cent of the outstanding votes) and certain executives of Hawley (but not including Mr. Michael A. Ashcroft, the chairman of Hawley) the remaining 55,000 (13.1 per cent and carrying 11 per cent of the outstanding votes).

In accordance with the requirements of the City code, Hawley will extend an equivalent offer to other shareholders.

Mr. Levein has indicated that he will not accept the offer for his remaining 34,781 ordinary.

Mr. Peter Bain and Mr. Alan Laver, both Hawley executives, have been appointed to the Board of Kean and Scott as from yesterday.

Berkeley

In an interim report to shareholders Mr. Colin Orr-Ewing, the chairman of Berkeley Exploration and Production, says that with the prograes the company has already made be believes it now has a stable base for future growth and can look forward to an exciting year in 1981.

The company, which is traded on the Stock Exchange under Rule 163 (3), is involved in oil exploration.

SPAIN

September 19	Price %	+ or −
Banco Bilbao	241	
Banco Central	275	
Banco Exterior	214	
Banco Hispano	230	−4
Banco Ind Cat.	120	
Banco Madrid	141	
Banco Santander	275	
Banco Urquijo	138	−2
Banco Vizcaya	252	
Banco Zaragoza	244	+3
Dragados	117	−2
Espanola Zinc	72.5	+0.5
Fecsa	64	−0.5
Gal. Preciados	35	−1
Hidrola	66.5	
Iberduero	65.7	−0.8
Petroleos	118	−3
Petroliber	99	
Sogefisa	107	
Telefonica	63	
Union Elect.	69.5	−0.5
September 19.	%	+ or −

ISSUE NEWS

Mucklow in £6.4m cash call to repay term debt

BY RAY MAUGHAN

A. and J. Mucklow, the West Midlands industrial property developer, is proposing to reduce the weight of its shares and eliminate term debt through a one-for-one rights issue at par to raise £6.35m.

The group will repay £6m of mediu term bank borrowings and intends to increase the total dividend for the year by 20 per cent to 3.8842p per share, having paid a net interim of 1.6p per share. It is also proposed, subject only to completely unforeseen circumstances, to maintain the level of payment next year on the capital increased by the rights issue.

Pre-tax profits for the year to June 30 climbed by 17 per cent to £3.7m, to which investment property income contributed £3.13m against £2.62m. The housebuilding division achieved a modest improvement, with the emphasis changing back to the "first time purchaser" while stone manufacture increased from £354,000 to £371,000 pre-tax.

The area of fully developed trading estates on rental rose from 4.1m sq ft to 4.45m sq ft producing a gross annual rent roll of £4.48m, up by £1m, at the year end.

The board, headed by Mr. Albert Mucklow, believes that despite current adverse economic circumstances, "the current year to be one of further progress for the group overall."

Brokers handling the issue are W. Greenwell and the Birmingham firm of Smith, Keen, Cutler.

● comment

Few active property developers have missed the opportunity to raise new equity during the sector's bull run and Mucklow has probably taken one of the last choice moments before a period of indefinite consolidation. The proceeds will knock out expensive term money which the group must be happy to replace with an ex-rights yield of 4.7 per cent. That contrasts well with the industry average of 2.5 per cent and, after a 17 per cent rise in pre-tax income, the shares climbed 5p to 213p. Not surprisingly, demand for new space has dropped sharply in the second quarter and Mucklow's necessarily cautious attitude toward new construction must inhibit any immediate plans for accelerated profit growth in the future. So far this year, rental growth has held up tolerably well and there has been no sudden rash of voids. The increased emphasis on nursery units has enabled Mucklow to achieve initial returns of at least 15 per cent bu the low quality of covenants implicit in such development increases the uncertainties at a time when the business outlook, for the West Midlands particularly, is worsening visibly. As it is, the shares must be fully valued against outside estimates of net asset value ranging between 220p and 250p per share but if industrial regeneration is to mean anything at all, it should start within the bounds of Mucklow's catchment area. The balance sheet, meantime, is very sound and the quality of the portfolio overall is said to be good.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Beatson, Clark ......int.	2	Dec. 1	3	—	8.4
Bridgewater Ests. ...int.	4.5	Oct. 14	4.5	—	16
DRG ....int.	3	Nov. 3	3	—	8.5
Estates & Gen. Inv. int.	0.55	Nov. 28	0.55	—	1.4
Estates Prop. Invest. ...	3.75	Nov. 4	2.75	6.25	4.25
Emess Lighting	3.5	Nov. 6	—	6‡	—
Fisons ....int.	6.9	Jan. 2	6.9	—	16.45
Garnar Scotblair ...int.	2.4	Oct. 31	2.4	—	6.25
Joseph Holt ....int.	2	Oct. 8	2	—	6
Park Place	2.25	Nov. 10	1.8	3.5	2.8
Ransomes Sims & Jefferies int.	3.14	Nov. 14	3.14	—	11.14
Silvermines ....int.	1§	Oct. 31	1	—	3
Henry Sykes ....int.	nil	—	1.5	—	4
Tarmac ....int.	5.5	Nov. 7	5	—	13.75
Telefusion	0.83	Nov. 10	0.84	1.5	1.5
J. Walker Goldsmith ...	3	Nov. 7	2.08*	4	2.92*

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ For 15 months. § Irish pence throughout.

Caledonian Offshore applications

The issue of £5m of 4 per cent convertible unsecured loan stock 2000 of Caledonian Offshore Company has been over-subscribed.

Applications from shareholders for up to £5 of stock for each share held, and excess and non-shareholder applications for up to £200,000 stock, have been allotted in full. Applications for over £200,000 stock by way of excess or non-shareholder applications, have been allotted about 40 per cent.

In addition £40,000 5 per cent convertible loan notes are to be issued.

The directors say the two issues will result in a significant strengthening of the company's asset base. Initially the proceeds will be invested in high yielding equities and fixed interest securities and it is intended to seek further investment opportunities for the company.

Terms of the loan notes allow for conversion until July, 1982 at 38.4 per ordinary stock unit. The rights issue is payable in full by October 8 and applications for excess stock units from bona fide stockholders will be permitted.

BITING RUBBER

To raise some £118,000, Biting Rubber Estates proposes a three-for-one rights issue at 30p. In addition £40,000 5 per cent convertible loan notes are to be issued.

Biting is an unlisted public company with some 750 stockholders.

£0.8m downturn at Telefusion

AFTER TRADING losses of £586,000 in respect of unprofitable subsidiaries closed during the second half of the year to April 26, 1980, and also suffering from rising costs and falling retail income, taxable profits of Telefusion finished the 12 months well down from £1.73m to £0.98m. At midway the profit shortfall was from £1.18m to £0.91m.

Mainly relating to the UK manufacturing company, Teleng, extraordinary expenditure on closures amounted to £1.5m. This formed the bulk of total extraordinary debits of £1.86m (£49,000 credit) and left this radio and TV renting and retail group with a year's attributable loss of £889,000 (£1.49m profit).

The directors say that since the year end, expenditure has been reviewed and major economies have resulted in considerably reducing the break-even point of the Trident retail division.

These economy measures, combined with the elimination of loss-making subsidiaries and the continuing profitability of the company's main activity of television and video rental, will make possible an improving profit trend for the current year as a whole.

Yearly earnings per 5p share are shown to have fallen from 3.09p to 2.08p and the final dividend is 0.83p (0.836351p) for a 1.5p (1.501851p) net total, costing £686,664 (£681,702).

● comment

Telefusion makes good money from TV rental—£3¼m pre-tax last year against £2.7m—unfortunately most of it goes in propping up loss-making retail and manufacturing operations. Manufacturing has now been closed, apart from a small specialist operation, but Trident, the discount retailing business, is still Telefusion's big headache. It lost £2¼m last year on sales of £47m. To some extent its losses were inflated by double running costs as it restructured by closing its central warehouse and turning to localised stockholding and redundancy costs of trimming the workforce by 40 per cent. Nevertheless Trident has some very real problems. Sales fell short of the previous year by £4m, mostly in the second half, and even allowing for the depressed state of retailing the performance is below par. Despite a much reduced cost base it would not be surprising to see Trident in the red again this year. Nevertheless group profits should show a healthy recovery. If Trident makes a £1m loss there could be an overall profit of around £3m if UK and overseas rental subsidiaries do no better than unchanged. So the prospective p/e at 25p could drop dramatically from the historic 11.6 but the market's caution is underlined in a market capitalisation of £11½m—just £3½m more than it spent on rental assets during last year.

BLACKWOOD HODGE (NIGERIA)

Pre-tax profits of Blackwood Hodge (Nigeria), an associate company of Blackwood Hodge, the UK earthmoving equipment, sales and service group, rose from Naira 923,258 to Naira 1.53m in the half-year to June 30, 1980.

After tax up from Naira 433,745 to Naira 735,937, stated earnings per share are 7.3 kobo (4.5 kobo).

Beatson falls and reduces interim

Taxable profits of Beatson, Clark and Company, glass container manufacturer, dropped from £780,000 to £265,000 in the first half of 1980 despite sales increasing during the period to £12.21m, compared with £10.47m.

The fall is in line with the chairman's prediction last May when he said that results for the first half of 1980 will be lower than those for the corresponding period following a lower level of activity during the first four months of the current year and increases in price for both fuel and raw materials.

The directors are reducing the interim dividend from 3p to 2p net to preserve resources. Last time a final of 6.4p was paid from pre-tax profits down from 1978's £2.39m to £1.62m.

Depreciation was higher during the six months at £876,000 (£768,000) but the interest charge was reduced from £122,000 to £56,000.

There was a tax charge of £138,000 compared with a credit of £185,000, leaving earnings per 25p share down from 20p to 2.2p.

Retained profit showed a drop from £795,000 to £14,000.

The directors say that trading was materially affected during the period by continuous weakness in demand, further substantial increases in major costs and lower level of output.

Demand continues to be weak but they expect that sales income will benefit from a price increase in October.

Fisons down 29% at halfway

DUE MAINLY to substantially increased finance charges, group pre-tax profits of Fisons were down 29 per cent in the first half of 1980 from £7.5m to £5.3m. Finance charge rose by £2.4m to £5.8m.

The group is still severely affected by the recessions in the UK, other parts of the EEC and North America and the directors say that as long as the high cost of money and sterling continues, group earnings will continue to be affected.

However, the interim is maintained at 6.9p (6.895p)—the total last year was 16.45p from pre-tax profits of £17.34m. Stated earnings per share in the first half are 7.9p against 14.7p.

Total group sales, at £225.1m, show an increase of 9 per cent over the same period last year with every division showing some advance. Activity profit from all operations was £11.1m compared with £10.9m in the first half of 1979.

Sir George Burton, chairman, assures shareholders had vigorous management action will continue to be taken to reduce working capital, to cut costs and to put into effect such other measures as are necessary to ensure the business is soundly based for future growth.

A total of £6.8m was spent on research and development in agrochemicals and pharmaceuticals in the first six months, against £5.9m in the same period last year.

Activity sales and profits contributions show: agrochemicals £41.1m and £1.63m (£34.77m and £477,000); fertilisers, £98.29m and £1.41m (£92.16m and £713,000); pharmaceuticals, £43.89m and £6.51m (£41.38m and £6.4m); scientific equipment, £29.38m and £1.53m (£27.16m and £2.84m); horticulture, £12.52m and £609,000 (£11.07m and £462,000).

Before interest charges, profits of agrochemicals, fertilisers and horticulture were higher than in the previous year, in which operations were severely disrupted by bad weather and external industrial disputes. Pharmaceutical profits were slightly up, margins once again being adversely affected by the strength of sterling and the difficulty of obtaining adequate price increases to offset inflation.

The one division to experience a decline in earnings was scientific equipment, which was severely affected by the cutback in UK public expenditure.

In horticulture, a 50 per cent participation has been initiated in Canada with Western Peat Corporation, the leading peat producer and marketer in North America. This will provide Fisons with an excellent opportunity for entry into the large North American horticulture market, the directors say.

Fisons and the Fujisawa Pharmaceutical Company have recently announced the establishment of a joint venture company, Fujisawa-Fisons KK, with offices in Osaka, Japan, to sell and distribute Fisons pharmaceutical products in Japan.

	Six months £'000	Six months £'000
Trading profit	10,188	8,843
Associates	912	1,264
Activity profit	11,100	10,897
Finance charges	5,799	3,404
Profit before tax	5,301	7,493
Tax	2,339	2,000
Minorities	32	38
Attributable	2,930	5,455

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Bridgewater Estates increases

WITH GROSS income higher at £514,536, compared with £466,141, Bridgewater Estates, property development group, increased pre-tax profits from £354,885 to £467,635 for the first half of 1980.

Tax for the period took £216,919 (£164,754) leaving the net balance £60,582 higher at £250,716.

The net interim dividend is maintained at 4.5p per 50p share—last year's total was 16p on taxable profits of £1.26m.

The directors say the recession makes it impossible to give a realistic forecast for this year's outcome.

Davenport Knitwear expands

TAXABLE PROFITS of Davenport Knitwear, the manufacturer of knitted fabrics and garments, rose from £344,000 to £469,000 for the six months to June 30, 1980. Interest received totalled £96,000 compared with £63,000 last time, and depreciation amounted to £55,000 against £45,000. The tax charge increased from £179,000 to £244,000. Last year pre-tax profits totalled £807,371.

Garnar Scotblair in the red

INCREASINGLY DIFFICULT trading conditions has caused Garnar Scotblair, tanner and leather manufacturer, to incur a loss of £348,000 for the half year to July 31, 1980, compared with a profit of £703,000 last time.

However, the interim dividend is being held at 2.4p net per 25p share—last year, a total of 6.25p was paid from taxable profit of £1.37m.

The directors comment that the economic recession, combined with high interest rates, has reduced demand from home customers, while the strong pound has adversely affected competitiveness in export markets.

The sector of the group's business which has suffered most is the hide markets, where prices have continued the unprecedented collapse which was evident in the previous trading period and have since fallen a further 50 per cent.

Measures, in addition to those already announced, are in hand and these will still further lessen the company's involvement in hide dealing.

Although a reasonable level of production has been achieved in the tanneries, a programme of factory rationalisation has been instituted, which will produce substantial cost savings.

The company is poised to take full advantage of an upturn in the market and to expand its activities as confidence returns, the directors state.

No tax is payable for the half year, against a charge of £265,000 in the same period of 1979. The loss attributable to ordinary holders was £350,000 (£436,000 profit), while the interim dividend again cost £126,000.

Estates Property over £2m

Pre-tax profits of Estates Property Investment Company rose from £1.39m to £2.09m in the year to April 30, 1980. A rise from £685,000 to £914,000 was reported at the interim stage.

Gross rents received for the year amounted to £3.17m against £2.8m last time.

The pre-tax figure is after interest charges of £887,000 compared with £934,000. Tax was up from £470,000 to £868,000 and stated earnings per 25p share were 7p (4.6p). The final dividend is raised from 2.75p to 3.75p for a net total of 6.25p (4.25p).

Shake-up at Allied Breweries' Dutch subsidiary Skol

Skol Brouwerijen, the Dutch subsidiary of the UK Allied Breweries Group, plans to make sweeping management changes and a far reaching reorganisation aimed at bringing the loss-making company back into profits.

The rapid expansion of the company's facilities in the Netherlands has come at a time of a slow down in the rate of growth of beer consumption. Only 65 per cent of Skol's capacity is currently in use according to a report by outside management consultants.

Skol should be able to return to profits within two to three years, the report concluded. After steady growth in both sales and profits between 1970 and 1978 Skol made a Fl 5.4m loss in the 17-month book year 1978-80. But in the current year ending on March 1, it expects to make a considerably higher loss.

The company's problems are that foreign expansion has slowed while competition in the Netherlands has increased. No *significant increase* in turnover can be expected over the next few years, while under-use of capacity has meant that production costs are too high.

Skol's problems are in the beer sector, with soft drinks, wines and spirits performing satisfactorily.

Skol plans to shut its bottling and brewing plant in Helmond and nearby Arcen and will re-distribute production between its Rotterdam and Breda locations.

The company which is the second largest brewer in the Netherlands after Heineken, has too many divisions with inadequate communications. It proposes reducing the number of divisions from eight to three—beer, soft drinks and a combined wine and spirits.

The three-man managing board and the nine-man internal directorate will be merged to form one board comprising the heads of the three divisions, a financial director, a social director and a chairman. None of the existing managing board will be reappointed.

Skol plans to shed 380 of its 2,400 jobs over the next two years. The reorganisation plan has still to be discussed with the unions and the work council but Skol hopes to take decisions before the end of the year. It became part of Allied Breweries in 1968.

LONDON TRADED OPTIONS

Option	Ex'rcise price	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	April Closing offer	April Vol.	Equity close
BP	300	76	2	92	—	—	—	371p
BP	330	36	5	66	—	82	—	"
BP	360	23	35	48	41	62	—	"
BP	390	8	77	29	155	—	—	"
Com. Union	160	18	8	27	3	33	—	177p
Cons. Gold	460	198	—	205	2	—	—	650p
Cons. Gold	500	158	—	176	2	190	5	"
Cons. Gold	550	108	128	137	86	165	6	"
Cons. Gold	600	63	38	113	105	128	4	"
Cons. Gold	650	30	228	86	193	105	10	"
GEC	460	75	1	105	—	118	—	522p
GEC	550	11	7	47	35	58	—	"
Grand Met.	120	38	—	44	6	—	—	156p
Grand Met.	130	28	—	35	4	—	—	"
Grand Met.	140	18	—	27	17	32	—	"
Grand Met.	160	4½	—	14	19	21	6	"
Grand Met.	180	1½	43	6½	—	12	2	"
ICI	360	8	16	27	—	34	—	360p
Land Secs.	390	10	20	35	46	50	—	381p
Land Secs.	420	4	—	20	—	35	4	"
Marks & Sp.	80	26	—	27	10	—	—	104p
Marks & Sp.	100	8	—	12½	1	17	—	"
Marks & Sp.	110	3	—	7	—	11½	2	"
Shell	390	36	42	56	—	70	—	421p
Shell	420	16	9	39	8	52	—	"
Shell	460	4	—	18	4	34	—	"
Totals			654		717		37	
		November		February		May		
Imperial Gp.	70	9½	1	14	—	—	—	76p
Imperial Gp.	80	1½	—	4½	—	5½	1	"
Lonrho	74	38	10	44	—	—	—	110p
Lonrho	84	28	2	34	55	—	—	"
Lonrho	90	—	—	—	—	31	1	"
Lonrho	94	18	340	24	200	—	—	"
Lonrho	100	—	—	—	—	24	2	"
Lonrho	104	11	15	17	—	—	—	"
Lonrho	110	—	—	—	—	13	68	"
Lonrho	114	6	452	12	73	—	—	"
P. & O.	140	3	5	6	—	10	—	126p
Racal Elec.	280	49	6	63	—	78	—	316p
Racal Elec.	300	31	5	49	—	65	—	"
Racal Elec.	330	17	30	31	—	46	—	"
Racal Elec.	360	5	—	19	1	32	—	"
RTZ	500	24	12	45	—	65	—	481p
Totals			878		329		72	

Park Place edges forward

PARTICULARLY affected by the poor performance of its Jersey financial services business, second-half taxable profits of Park Place Investments slipped from £446,000 to £419,000. This left the figure for the year ended June 30, 1980 showing a marginal increase from £675,000 to £681,000.

Turnover reached £3.86m, compared with £2.91m, while profits were struck after interest more than doubled at £186,000 (£88,000).

The directors say that in the Jersey financial services side, the marginal effect of a shortfall in expected turnover was all reflected at the pre-tax level.

However, they are confident that this trend has now been reversed and that the other group companies can look forward to another year of progress.

The group's other activities comprise financial training, hire purchase, leasing and management services.

After tax £60,000 higher at £227,000, earnings per 10p share fell from 10.1p to 7.8p, but a final dividend of 2.25p net raises the total payment from 2.8p to 3.5p. A one-for-six scrip issue is also proposed.

82% take up Spencer Gears rights issue

The rights issue by Spencer Gears (Holdings) of 9,135,186 ordinary shares has been accepted in respect of 7,502,771 shares (82.13 per cent).

The balance has been sold to the market at 14p a share, less dealing expenses.

MINING NEWS

Australian coal group hit by labour unrest

BY KENNETH MARSTON, MINING EDITOR

THE New South Wales coal group, Coal and Allied Industries (CAIL) has suffered a slump in earnings for the year to June 30, mainly as a result of labour turmoil and lower product prices, but it is pressing on with a big expansion programme, reports James Forth from Sydney.

Earnings for the past 12 months have plunged to A$1.8m (£884,000) from A$12.6m. The Australian group actually incurred a loss on trading but this was offset by dividend income of A$2.65m. Almost 20 per cent of the group's possible working days were lost as a result of industrial action.

Since the close of the year the industrial scene has been reasonably stable, but difficulties are still being experienced in maintaining and expanding outputs at some mines because of a shortage of labour arising from the union's policy of closing their books to new entrants.

The Hunter Valley No. 1 mine, which has reserves of 56m tonnes of coal, was successfully commissioned during the year at an annual rate of 1.5m tonnes of coal.

The second stage of development, to an annual output of 4.5m tonnes has been approved at an estimated total cost of A$102m. A rights issue to raise A$59.2m is planned as part of the funding.

The issue will be on the basis of one new share for every four held at an issue price of A$11.50 (565p).

In addition to the No. 1 mine, CAIL is working on planning for the Hunter Valley No. 2 open-cut mine to the south, which has reserves of 350m tonnes.

Sales commitments indicate that output from the mine would probably be required within the next four to five years.

Lower prices for soft coking coal sales to Japan also affected CAIL's results.

ROUND-UP

The retiring chairman of Gold Fields of South Africa, Mr. Adriaan Louw—his successor is to be Mr. Robin Plumbridge—says that at September 3 net assets of GFSA (in which Consolidated Gold Fields has a stake of 46 per cent) was R2.5bn (£1.3bn) equal to R143.52 (£80) per share. The latter were £46½ in yesterday's booming gold share market. Providing present gold price—mining cost levels are maintained GFSA expects earnings and dividends to show "a further, but more modest, improvement" in the current year to June 30. Earnings rose 88 per cent in 1979-80.

* * *

The value of Israel's exports of polished gem diamonds continues to run ahead of the 1979 levels, according to our Tel Aviv correspondent. The total for the first eight months of this year amounts to U.S.$911m (£370m) compared with $739m in the same period of last year. It is now estimated that the full total for 1980 will be around $1.5bn. Last week the Israeli Diamond Exchange opened its new wing in Ramat Gan on the outskirts of Tel Aviv. More than 650 firms have offices in the 28-storey building.

An analyst's view of Inco

AT LEAST one prominent Canadian stockbroking firm believes that Inco's problems have been thoroughly discounted "by the relatively low valuation accorded the shares in the stock market." This from Mr. Patrick J. Mars, a mining analyst and president of Alfred Brunting of Toronto.

He regards the nickel giant as a recovery candidate. However, based on what he considers the relatively poor outlook for the next few quarters, there's no urgency to establish positions. But viewed over an 18-month time frame, he considers the shares have the potential to appreciate to the C$40 level. They are currently around C$30.

Mr. Mars says that Inco's Canadian nickel facilities are still the lowest cost source of nickel in the world even after factoring in the costs associated with meeting the increasingly stringent pollution control standards.

The company should eventually benefit from the decision to build a hydro-electric facility at the Indonesian complex, thereby reducing the need for oil and resulting in lower costs than for most other lateritic projects. Improving nickel markets and higher prices are forecast for 1982, while Inco is its own largest customer for nickel.

Philippines lifts taxes

ROYALTY TAXES on minerals such as gold, silver and copper extracted in the Philippines have been raised to 5 per cent from 2 per cent, but some flexibility has been built in to allow aid for mines which need help or incentives.

The new rates were contained in a National Assembly Bill signed into law at the weekend by President Ferdinand Marcos.

The law provides for a 5 per cent royalty tax based on gross output for metallic minerals such as gold, silver and copper, 3 per cent on non-metallic minerals, and 2 per cent on quarry resources.

In order to soften the impact, the Presidential Palace said the increases are staggered, with 50 per cent effective from September 18 to March 31 next year, and the full amount taking effect then.

A Palace statement said mining companies, especially the marginal ones, had pointed out that the new rates would make lay-offs and other retrenchment measures inevitable, affecting the livelihoods of thousands of employees.

But it said a decree accompanying the new law allowed the president to cope with such severe dislocations by readjusting the rates in cases where marginal mines needed protection, assistance or incentive.

The new law also redefined the concept of gross output to allow deduction from the actual market value the cost of smelting, refining and other charges involved in converting the mineral concentrates to refined metal.

UK COMPANY NEWS

DRG hit by interest jump

STRUCK AFTER a £1.9m rise in interest charges to £4.8m, pre-tax profits of the Dickinson Robinson Group dropped to £10.8m for the first half of 1980, compared with £12.5m in the same period last year. Turnover of the group, whose interests are in packaging, stationery, printing and specialised engineering, improved from £241.4m to £283.3m.

Trading conditions in the UK remain very difficult with significantly reduced demand and strong pressure from foreign competitors. However, the directors say a reduction of costs is being vigorously pursued to help offset the disadvantages of high interest rates, energy costs, wage inflation and a strong currency.

Trading profits in the UK, fell £3m to £8.3m, which was more than offset by an increase to £7m (£3.4m) overseas, although associates' contributions slipped £0.7m to £0.3m.

Overseas, there were buoyant performances from South Africa, France and Canada and prospects in the second half for overseas operations continue to look healthy.

UK tax was up slightly at £1.1m (£1m) while overseas tax rose by £1m to £2.7m. Minorities took £1m (£0.5m) leaving attributable profits down from £9.3m to £6m.

Earnings per 25p share declined from 11.1p to 7.2p, but the interim dividend is held at 3p net—last year's total payment was 8.5p on taxable profits of £27.7m.

The group has continued its policy of maintaining conversion equipment at worldwide competitive standards and spent £11.5m on plant and machinery. A further £8.7m was spent on the acquisition of new businesses.

Stringent measures to control working capital enabled the group to fund internally all but £4m of this expenditure.

● comment

The strongest suit in DRG's hand over the past 12 months has been its ability to fund much of a restructuring and acquisition programme by squeezing cash out of working capital. Interim debt servicing costs are up but they include interest payable on the three smallish businesses acquired during the period which have yet to contribute. Redundancy costs at John Dickinson imply an above the line charge of upwards of £600,000 in the second half but the Reed South Africa and La Couronne operations added an aggregate £1m pre-tax to interim profits and, given the apparent buoyancy of many of the overseas operations, may well make a higher contribution. Capital spending should remain at the historically high level of around £24m this year—although no new acquisitions are planned immediately—but DRG is confident that it can do more to improve its stock and creditor/debtor ratios at current operating levels. Demand in the UK remains poor after the very abrupt fall in April and the outlook for the important final quarter is clouded to say the least. But DRG sees no sign of faltering abroad and its balance sheet remains reasonably strong. That suggests that the final dividend should be fairly safe and the historic yield of 13.8 per cent at 91p down 3p provides useful support, although events in the sector as a whole may well precipitate further weakness.

OIL AND GAS NEWS

Initial Rundle work will cost U.S.$1bn

BY STEPHEN THOMPSON

THE FIRST stage of the huge Rundle oil-shale project in Queensland, Australia may be expanded and initial spending more than doubled to some U.S.$1.1bn from the initial estimates of $500m, according to Mr. Jim Kirk, chairman of Esso Australia.

Esso Australia, a subsidiary of America's Exxon Corporation, is the operator of the Rundle joint venture with the Rundle twins, Central Pacific Minerals and Southern Pacific Petroleum.

Speaking at a meeting of the Securities Institute of Australia in Brisbane Mr. Kirk said a decision on the expansion is expected in March or April next year.

Mr. Kirk said the expansion under consideration involved the adding of a hydrogenation plant to the pilot plant retorts to upgrade the crude oil produced to refinery feedstock.

It was originally thought that this plant, which costs more than $600m, would not be brought in until the later stages of the project. The first stage, as set out at the time the joint venture was agreed, involved a pilot plant producing between 15,000 and 18,000 barrels of oil a day from some 25,000 tonnes of shale within the next five years.

If the first phase is successful, it is planned to raise production gradually to between 180,000 and 240,000 barrels of oil a day. The cost of bringing the project into full production is estimated to be in the region of U.S.$13 to U.S.$15bn.

* * *

Oil companies are being offered exploration permits in four offshore areas around Australia's prolific Bass Strait oil and gas fields, according to Victoria's State Energy Department official Mr. Jim Le Page.

Mr. Le Page, director of the department's oil and gas division, said the four Gippsland Basin areas comprise a total 201 blocks in water depths of up to 1,000 metres. Companies have until March 17 next year to apply for permits.

The Bass Strait fields are Australia's major source of crude oil and gas, supplying 90 per cent of all domestically produced crude.

Although Australia is currently around 67 per cent self-sufficient, oil industry and Government estimates indicate that without new discoveries, this figure will decline slightly through the next 10 years and drop sharply to around 10 per cent in the following decade to the year 2000.

All the areas on offer have been out to permit before, some being drilled by Esso Exploration and Production Australia. The latter is joint operator, along with BHP, of the existing Bass Strait fields. Seismic data is available covering all of the areas.

NSW issues permits

The State of New South Wales is to issue five petroleum exploration licences covering the Clarence-Moreton Basin around Grafton and the Darling Depression to the west and south of Bourke, according to Mr. Ron Mullock, New South Wales' Mineral Resources Minister.

Mr. Mullock says both areas are regarded as promising. Zanex and Conserv Proprietary will be granted permits to explore the Darling Depression area, while licences for the exploration of the Clarence-Moreton Basin, which also provide the right to search for oil shale and coal, will be granted to Oil and Minerals Quest and two consortia.

The first consortium will comprise Endeavour Resources, Metals and Energy Minerals, Target Exploration and Charterhall. The second is Bridge Oil, Cluff Oil and the Australian Gas Light Company. Mr. Mullock gave no details of the percentage breakdown of either consortium.

* * *

Weaver Oil and Gas Corporation, a unit of Kasseb Services Inc. of Houston, has been granted oil and gas permits covering 4.9m acres in the Bass Strait between Australia and Tasmania. The permits, granted by the Tasmanian Department of Mines, raise to 19.3m acres of the area over which it has exploration rights. The permit covers an area about 150 miles southwest of the Gippsland Basin.

* * *

Bernard Sautier, President of Aquitaine Canada, which participates with the Total-Eastcan group in three offshore wells in the Labrador Shelf area, said in Montreal that three recent well-abandonments in the area do not indicate "disappointment" with progress this drilling season.

The major companies drilling there regard the three dry holes as a "normal part of a major exploration programme," and do not influence one way or another assessments of Labrador Shelf exploration.

He said the effort will continue on the present scale for at least another four or five years and "if no major breakthrough has been made by then, there may be some re-assessment."

But geologically the Labrador Shelf has huge potential for both oil and gas, and is located near major markets on the east coast of North America and in Europe.

There are three drillships operating on the self this season and the national oil company, Petro-Canada, is participating in most of the wells.

Emess Lighting reaches £0.35m for 15 months

IN ITS first set of figures since its listing in January, Emess Lighting reports pre-tax profits of £345,067 in the 15 months to June 30, 1980. Turnover was £1.83m.

Pre-acquisition profits amounting to £166,626 of subsidiaries acquired during the period have been transferred to goodwill.

Results for the 15-month period have exceeded the forecast made in January.

The Board says that trading conditions were unsettled, and after a satisfactory period until the end of March, demand contracted during the second quarter, with customers destocking. High volume outlets, which are dominant forces in the market, remain cautious about their stock levels and prospects for the current year are uncertain.

However, the results of Poole Lighting—which was acquired in May and is expected to contribute at least £60,000 to pre-tax profits in the year to June 30, 1981—have fulfilled expectations, and with prudent costing, tight control and efficient service to customers, the group expects to increase its market share.

On this basis, the Board is cautiously optimistic of being able to increase both profits and earnings per share in the coming year.

After tax of £22,014, stated earnings per 25p share are 30.49p, and the final dividend of 3.5p makes the total 6p.

CMG to offer top-up loans

The Clerical Medical and General Life Assurance Society is to enter the top-up mortgage market on October 1, the last major life assurance company to offer this service to policyholders.

The scheme will be available for investors seeking top-up mortgages on their main residence. The amount of the loan will vary between £2,000 and £10,000 up to one-third of the main building society loan.

The interest rate on the loan will depend on current market conditions and can be changed at very short notice—30 days are given for changes to existing borrowers. Currently the rate would be 16 per cent.

The investor can use any CMG endowment policy—non-profit, full with-profit or low cost to repay the main building society mortgage. But the top-up must be repaid by a non-profit contract.

EUROPEAN OPTIONS EXCHANGE

Series		Vol.	Last	Vol.	Last	Vol.	Last	Stock
		Dec.		Mar.		June		
GM C	$60	5	2¾	—	—	—	—	$57⅞
		Oct.		Jan.		April		
ABN C	F.300	1	16.50	2	26	—	—	F.316
ABN P	F.320	11	4A	—	—	—	—	"
AKZO C	F.22.50	22	0.30	—	—	—	—	F.21.50
AKZO C	F.25	—	—	—	—	5	0.60	"
AKZO P	F.22.50	—	—	8	1.40	—	—	"
AKZO P	F.25	10	3.20	—	—	—	—	"
KODA C	$60	—	—	26	17¼	—	—	$66⅛
KODA P	$60	5	7⅛	—	—	—	—	"
KODA C	$70	2	7⁄8	33	5½	—	—	"
HEIN C	F.55	20	0.80	10	2.30A	—	—	F.52.40
HEIN C	F.60	1	0.10	2	1.10	—	—	"
HEIN C	F.65	2	0.20	—	—	—	—	"
HEIN P	F.50	—	—	7	1.30	—	—	"
HEIN P	F.55	4	2.90	—	—	—	—	"
IBM P	$65	—	—	5	2⅝	—	—	$67⅞
KLM C	F.70	—	—	1	1.50	10	3.20	F.65
KLM P	F.60	50	1.30	—	—	—	—	"
KLM P	F.70	2	7.80	—	—	—	—	"
NAT C	F.109.10	1	2	—	—	—	—	F.117.90
NATN C	F.120	10	1.10	10	3.50	—	—	"
PHIL C	F.15	—	—	—	—	3	3	F.17.30
PHIL C	F.17.50	20	0.40	4	0.80	80	1.20	"
PHIL C	F.20	10	0.10	45	0.40	0	0.50	"
PHIL P	F.17.50	5	0.40	—	—	—	—	"
PHIL P	F.20	30	2.70	—	—	—	—	"
POLA C	$30	—	—	5	4¼	—	—	$31
OLIE C	F.160	12	13.70A	5	15B	5	17	F.172.70
OLIE C	F.170	58	4.40	15	7.50	5	9.50	"
OLIE C	F.180	92	0.90	225	3.20A	50	5.50	"
OLIE P	F.140	6	0.10	—	—	—	—	"
OLIE P	F.150	12	0.10A	—	—	—	—	"
OLIE P	F.160	—	—	4	1.50	12	2.10	"
OLIE P	F.170	40	1.90	23	5.50	10	5.80	"
OLIE P	F.180	32	8.90	2	10.20	—	—	"
ATT C	$60	—	—	5	2¼	—	—	$54½
UNIL C	F.110	—	—	5	15B	—	—	F.125
UNIL C	F.115	5	10.50	—	—	—	—	"
UNIL C	F.120	21	5.50	—	—	—	—	"
UNIL C	F.130	—	—	34	1.10	—	—	"
UNIL P	F.120	12	0.60	—	—	—	—	"
EXON C	$55	—	—	25	13¾	—	—	$68⅛
EXON C	$70	—	—	26	5¼	—	—	"
XERO C	$70	—	—	5	2½	—	—	$64¼
		Nov.		Feb.		May		
BOEI P	$40	—	—	8	2½	—	—	$40⅜
BASF C	DM.130	12	4	—	—	—	—	DM131.8
MANN C	DM.130	10	2	6	3.50	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SLUM C	$110	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SLUM C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
VEBA C	DM.140	7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	DM140
VW C	DM.170	15	5.50	[illegible]	[illegible]	[illegible]	[illegible]	DM171.80

TOTAL VOLUME IN CONTRACTS 1651

C=Call P=Put

BIDS AND DEALS

Pentos paying £1.8m for English and Overseas

Pentos, the industrial holding group, has made an agreed £1.8m bid for English and Overseas Investments which owns the Athena art reproduction company and makes transportation and cargo equipment through its Metalair subsidiary.

"We've made the bid because of 'Athena,'" said Mr. Terry Maher, the chairman of Pentos, yesterday. "But Metalair has a good record." Although High Street trading conditions were difficult at the moment, "in the long term we are very excited about Athena."

Pentos, whose interim profits fell sharply this year from £1.25m to £602,000, is offering 11 of its own shares for 30 of English and Overseas, whose quotation has been suspended since July after approaches from two parties.

At yesterday's Pentos share price of 47p, down 3p, the bid values English and Overseas at £1.77m. Pentos is also offering £1 of its own 15 per cent convertible loan stock 1990 for every £1 of 12 per cent convertible loan stock 1990 of English and Overseas.

The bid is the first acquisition move by Pentos, whose interests include publishing and engineering, since Westpool Investment Trust and the Rayne Foundation put up £3.6m worth of new capital, with a further £400,000 coming from Weiss Peck and Greer, a U.S. investment banking house.

The Board of English and Overseas, advised by Amex Bank, are recommending the offer and have accepted for the 30.3 per cent of shares held by themselves and their families.

Shareholders of English and Overseas, once headed by Mr. John Bloom of the failed Rolls Razor concern, will still be entitled to receive the proposed final dividend of 0.4375p per share for the financial year to March 31, 1980, when pre-tax profits dropped from £549,000 to £436,000.

Pentos said the loan stock would be convertible into its shares at the rate of four for every £3 of stock. Taking the Pentos loan stock at par, the value of the loan stock offer is £1.03m. English and Overseas' shares were originally suspended at 14½p, with the bid valuing them at just over 17p.

English and Overseas' consolidated net tangible assets, adjusted to reflect a Metalair property revaluation, were £1.735m at March 31. Athena, which had sales of £5.5m in the last financial year operates 24 shops in the UK and four abroad.

Metalair makes dry hulkers and other freight equipment.

U.S. purchase by Reed Stenhouse

Reed Stenhouse Companies, the international insurance brokers, in which Stenhouse Holdings has a 53.7 per cent stake, has acquired Balanced Pensions Inc of New York for an undisclosed sum.

Balanced Pensions, a privately held company established by Mr. Theodore Mander in 1962, specialises in employee benefits plans for multinational companies.

The New York company will become Reed Stenhouse Balanced Pensions Inc, and will operate under the executive direction of Mr. Mander, who is president of Balanced Pensions.

VICKERS ACQUISITIONS

Vickers has acquired from the receiver and manager, certain assets of Notsa Engineering Company of Aston-on-Trent and its sales company, Maxi-Check Sales Company of Weston-on-Trent, Derbyshire.

The net assets acquired have a book value of around £800,000 and comprise the fixed assets, stock and work in progress.

The two companies, which went into receivership in July, manufacture and market, for use by the engineering industry, the maxi-check range of advanced co-ordinate measuring machines.

JARDINE MATHESON IN JOINT VENTURE

Davies Insurance Agencies, part of Jardine Matheson and Company, of Hong Kong, has entered into a joint venture with Fred S. James of the U.S., the world's sixth largest insurance broker.

The agreement will give James 50 per cent equity interest in Davies Insurance Agencies and marks the company's first presence in the Hawaii market.

Davies Insurance Agencies is a subsidiary of Theo. H. Davies and Company of Hawaii, which is itself a wholly owned subsidiary of Jardine Matheson.

Last week it was announced that Sir James Goldsmith's Anglo-Continental Investment and Finance company is negotiating to sell 53 per cent of Wigham Poland, the Lloyd's of London insurance broking group to Fred S. James.

UTD. DOMINIONS TRUST

Mr. L. C. Mather, chairman of United Dominions Trust, told the annual meeting that he expected the deal with the Trustee Savings Bank would be completed in January 1981.

Shareholders would not have long to wait before a lasting solution was achieved to the problems that had beset the group along its road to recovery, the chairman said.

The deal, announced last month, involves the TSB Group taking a 75 per cent stake in the traditional UK instalment credit operations of UDT, including those in Northern Ireland and to have the right to acquire the balance subsequently.

WARING & GILLOW U.S. EXPANSION

Waring and Gillow (Holdings) has purchased Kimel Inc., an established U.S. company operating three furniture stores. The Waring board view the acquisition as a sound basis for future growth in the U.S.

Mr. Manny Cussins, the chairman, points out that the company bad intended to embark on a limited venture in retailing in the U.S. by entering the Drexel Heritage "Showcase" programme. The stores acquired will be converted into DH Showcase stores.

The company is also to acquire two further stores at Tampa and Clearwater in Florida, while the board is currently looking at other areas to expand including Philadelphia and Orlando.

Royal Trust has 13.3% in Parrish

Canada's Royal Trust Company, it was confirmed yesterday, has bought the share stake in J. T. Parrish, the Newcastle department store group, sold last week by Mr. John S. Bonnington to Mr. Fuad Reshan Korsheed, a Kuwaiti businessman.

Through a Jersey company, Royal Trust now owns 96,025 shares (13.3 per cent) of Parrish, although Mr. Korsheed is still connected with the holding.

Mr. Bonnington, senior partner in a St. Albans firm of architects, started building up his stake around 18 months ago when the price was about 65p and sold his stake at 109p. One thousand of the 97,025 shares bought from him by Mr. Korsheed were retained to supply the market.

Mystery approach to Gough Cooper may lead to higher bid

A RIVAL bidder seems to be emerging for Gough Cooper, the housing concern which has already rejected a full bid from Starwest Investment Holdings.

Gough Cooper, in which Starwest has a 29.5 per cent stake after a "dawn raid" in July, said that it had received an approach "which may lead to a higher offer being made to shareholders."

Shares of the company were accordingly suspended yesterday at an unchanged price of 127p, valuing the company at £9.96m compared with the £9.4m at which Starwest bid values it.

Although Mr. Remo Dipre, the chairman of Starwest, has been in touch with Hill Samuel, Gough Cooper's financial advisers, no clues as to the identity of the possible second bidder were forthcoming yesterday.

Starwest, a private company, has made an offer of 120p a share in cash for the 5.5m Gough Cooper shares it does not own. No comment was available yesterday from Starwest.

Gough Cooper yesterday continued to advise shareholders to take no action. A further announcement is expected in the next few days.

SHARE STAKES

Rolfe and Nolan Computer Services—Mr. M. Rolfe, director, has disposed of 50,000 shares.

Reo Stakis Organisation—Miss A. Stakis has sold shares in the company reducing her holding to below 5 per cent.

AGB research set for overseas acquisitions

THE COMBINATION of internal growth and acquisitions which has enabled turnover of AGB Research to increase by around £9m in each of the last two years will form the pattern for the foreseeable future, Mr. Bernard Audley, chairman, tells shareholders in his annual statement.

In fact, he expects to be able to make announcements about further important acquisitions in the research field abroad before the annual meeting, on October 13.

Some parts of the group's business, which encompasses market research, publishing and computer bureaux, may suffer in the adverse trading conditions, warns the chairman, since ultimately they are linked to the prosperity of the industries they serve. But the spread of activities and the growing number of markets at home and abroad from which the group derives its earnings gives it a good deal of resilience in periods of recession, he adds.

As known, pre-tax profits for the year ended April 30 last improved from £2.34m to £2.9m, and an increase in net dividend from 4.4p to 6p is to be followed by a one-for-three scrip issue.

The consolidated balance sheet shows shareholders' funds have more than doubled from £4.03m to £8.6m, reflecting the one-for-four rights issue in March and retention of earnings.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Aurora, Bank of Scotland, Copydex, Elbar Industrial, Harris and Sheldon, Kleinwort Benson Lonsdale, John Menzies, Sondhurst Marketing, Stag Furniture, Stewart Wrightson, United Newspapers.

Finals—A.E. Electronic Products, Amber Day, Barrett Developments, Celtic Haven.

FUTURE DATES

Interims—
Anchor Chemical ... Sept. 26
Anglo American Inv. Trust ... Oct. 2
Amcliffe ... Sept. 30
Beauford ... Oct. 2
Bowthorpe ... Oct. 9
Brent Chemical Int. ... Sept. 30
Brocks ... Sept. 26
Downiebrae ... Oct. 2
Findlay Hardware ... Sept. 26
Foseco Minsep ... Sept. 30
Hanger Investments ... Sept. 25
Holt (Joseph) ... Oct. 8
London and Manchester Ass. ... Sept. 26
Miller (F.) (Textiles) ... Sept. 26
Scottish Television ... Oct. 10
Southampton, Isle of Wight and South of England Royal Mail Steam Packet ... Sept. 26
Sumner (Francis) ... Sept. 30
Thomson T-Line Caravans ... Sept. 30
Tilbury Contracting ... Sept. 26
Wace ... Sept. 24
Walker (C. and W.) ... Sept. 29

Finals—
Bluebird Confectionery ... Sept. 25
Halstead (James) ... Oct. 1
Mitchell Cotts ... Sept. 30
Walker (Thomas) ... Sept. 26
Wankie Colliery ... Sept. 28

FOREST PRODUCTS DIVISION TO BE SOLD

Bendix in $435m disposal

BY DAVID LASCELLES IN NEW YORK

BENDIX, the diversified industrial concern which is also the largest U.S. maker of automotive parts, announced yesterday that it plans to sell off most of its forest products division in a deal worth about $435m. As part of a broad redeployment of its assets, it is also looking into the possibility of selling its 20 per cent stake in Asarco, one of the leading U.S. copper companies.

The developments were announced by Mr. William Agee, the chairman, at a security analysts meeting in Boston. He described them as part of "our strategy of redeploying our assets—either within our existing businesses or through acquisitions—into areas which meet our requirements for high technology content, rapid growth prospects and high returns."

The forest products division will be sold to a private New York company, Kohlberg Kravis Roberts and Company, and most of the purchase price will be paid in cash. Forest products account for about 10 per cent of Bendix's revenues, and Bendix will make "a very substantial capital gain" on the sale.

In announcing that Bendix may also sell its Asarco stake, Mr. Agee said that an acceptable plan would have to be developed with Asarco. Bendix started building up its position in Asarco in 1978 at a time when minerals were considered to be good value. The investment proved lucrative as the stake has provided Bendix with both a sizeable capital gain and high dividend earnings. However, the recent weakness of copper prices has caused Bendix to re-examine its position.

At yesterday's market price, 20 per cent of Asarco was worth $385m.

Since taking over the chairmanship from Mr. Michael Blumenthal, the former Treasury Secretary three years ago, Mr. Agee has adopted a strategy of steering Bendix into high technology areas, while at the same time remaining flexible enough to walk away from ventures that were not providing an adequate return. In his 1979 annual report he vowed to make 1980 a year to "reaffirm the primacy of technology in the corporation."

Earlier this year Bendix bought Warner and Swasey, a leading machine tool maker, for $291m.

Wheelabrator appeals against ruling

By Our New York Staff

THE OUTCOME of the battle between Wheelabrator-Frye and McDermott for control of Pullman may be decided today when a federal court in Chicago is to determine whether or not Wheelabrator's offer must be extended to October 17.

Wheelabrator's bid was originally due to expire last Friday. But a Chicago district judge ruled on the same day that Wheelabrator's decision to increase its bid from $43 a share to $52.50 constituted a new bid, and should remain open until October 17.

Until that moment it looked as if Wheelabrator had snatched victory from McDermott. But unless the court today overturns that ruling, the contest will be wide open again and McDermott will have a chance to push its improved offer.

At the moment, Wheelabrator-Frye is offering $52.50 for 5.5m of Pullman's 11.2m shares, with the remainder to be acquired through a stock swap. McDermott is offering $54 a share for up to 5.4m shares, with the rest also to be bought in a paper transaction.

Pullman shares opened yesterday at $50, unchanged from last week, suggesting caution on Wall Street.

Earnings gains for food groups

BY OUR FINANCIAL STAFF

SUCCESSFUL TRADING in the past three months at two major food groups underlines the improvement in prospects for consumer industries in the U.S. General Mills, the leading package food producer, is increasing its quarterly dividend from 33 cents a share to 37 cents on the back of first quarter earnings in line with forecasts. It expects record results in the second quarter.

Beatrice Foods, which takes 73 per cent of its earnings from food operations, is lagging behind forecasts at the end of the second quarter, but can expect further progress during the year as the acquisition of Tropicana Products bears fruit.

At the end of the first quarter, earnings at General Mills have increased from $42.8m, or 85 cents a share, to $44.2m, or 88 cents. Sales, at $1.09bn, compares with $973m last time.

Mr. E. Robert Kinney, the chairman says that the relatively small gain in earnings for the first quarter was the result primarily of heavy marketing expenditures to support product introductions and expansion, as well as retailer and consumer caution in a recessionary climate.

Beatrice Foods pushed earnings ahead by 6 per cent in the second quarter, with food operations posting a strong gain. But earnings from non-food operations were lower. This was as predicted by the board, which had said that food earnings would prove resistant to sluggishness elsewhere in the economy.

Agri-products, which traditionally turn in about 6 per cent of earnings, were successful in the previous quarter. About one-fifth of sales and earnings come from overseas operations but there was no news of the performance of this sector during the quarter reported.

Campeau lifts Trustco bid price

BY ROBERT GIBBENS IN MONTREAL

CAMPEAU CORPORATION, the property development group, has failed in its first attempt to gain control of Canada's largest trust company, Royal Trustco, but has extended the offer to October 2 and raised the bid price.

Campeau is now offering C$23 per common share of Trustco and C$32.78 for each preferred share, against C$21 and C$29.93 respectively in the initial bid which expired last Friday. Assuming all Trustco shares were tendered, the bid would be worth C$450m ($388m).

Trustco said it believed the new offer would also be rejected.

Campeau has not revealed the number of Trustco shares tendered by last Friday, but it was well below the minimum sought of 50.5 per cent.

Trustco said that the bid failure was a "clear response from shareholders, who deem it wrong for the assets of Royal Trustco and its clients to come under the control or dominating influence of any one person or company."

Campeau Corporation, in turn, claims that not all Trustco shareholders had a fair chance to respond to its bid. "We were disappointed that we did not get the minimum 9m Trustco shares."

Deutsche Mark bond calendar at DM 1.5bn

By Francis Ghilès

THE GERMAN Capital Markets Sub-committee agreed yesterday to a calendar of new Deutsche Mark foreign bond issues for the next four weeks which could top DM 1.5bn.

Only DM 350m of new foreign D-Mark bonds were issued during the past three weeks and foreign demand for such paper has all but dried up. The cut in the German Lombard rate last Thursday did give a fillip to the market but senior dealers viewed this as no more than a short term shot in the arm.

A dealer at one of Germany's largest banks described the new issue calendar as "rather a joke." A number of banks have, in recent weeks, been obliged to postpone issues they were planning to bring to the market because of lack of demand. "Maybe they have booked a place in the queue with no real intention of buying a ticket for the show," he added.

Seasoned D-Mark foreign bond issues shed ½ a point yesterday after news of the size of the new issue calendar filtered into the market. This fall pushed the yield on longer dated foreign D-Mark bonds back to 8.25 to 8.35 per cent, the level at which they stood last week before the cut in the Lombard rate.

The new calendar will be opened on Thursday by Osterreichische Kontrollbank with a DM 150m public issue through Deutsche Bank.

The bond for OKB will be followed by a DM 150m public issue for a European state guaranteed address through Commerzbank next Monday and a DM 75m private placement for a European industrial address through Westdeutsche Landesbank the day after the German Federal elections on October 6. On October 7, DG Bank will bring a non-European name to the market for DM 50m to DM 60m to be followed two days later by Westdeutsche Landesbank with a DM 100m private placement for a European name. At about the same time Deutsche Bank will launch a DM 150m issue for a European name.

On October 13, Bayerische Vereinsbank will arrange a DM 70m private placement for a European name and on the following day Deutsche Bank is expected to bring Argentina to the market for DM 100m. Dresdner Bank follows on the following day with a DM 100m European name and on October 16 BHF Bank will launch a further DM 100m for a European borrower. Venezuela is expected to close the queue on October 17 with a DM 100m to DM 150m bond through Westdeutsche Landesbank.

Two issues for supranational borrowers might also be launched which would bring the total volume of new issues to more than DM 1.5bn, one of the largest in the past 12 months.

In the dollar sector of the market yesterday prices of seasoned issues—particularly at the shorter end of the maturity range—shed about ½ a point on the day. This was accentuated during the afternoon by the weakness of the New York bond market. Most of the falls were accounted for by nervousness about escalating tension in the Gulf.

Meanwhile in the Swiss franc sector, the OKB has privately placed SwFr 65m of six-year bonds through Swiss Bank Corporation with a coupon of 6 per cent.

During the 12 months to the end of June 1980, the World Bank borrowed $5.17bn through international bonds of which Deutsche Mark denominated paper accounted for 42 per cent and U.S. dollars for a further 23 per cent. The rest was made up of bonds denominated in Swiss francs, yen and Austrian schillings.

The World Bank since has arranged $814m of new international bond issues, $583m of which were denominated in D-Marks. If anything, the mix has tilted even more in favour of D-Marks in recent months.

Chicken price rise aids Federal

By Our Financial Staff

A SIGNIFICANT recovery in poultry product prices sharply boosted earnings in the first quarter at Federal Company, a major U.S. processor of broiler chickens. Last year poultry product operations, although responsible for more than half of group earnings, were unprofitable for Federal.

In the opening quarter of the year, earnings increased from $4.8m, or $1.19 a share, to $7.8m, or $1.92, while sales moved up from $244.3m to $262.7m. The recovery comes after five consecutive quarters of declining earnings.

Mr. R. Lee Taylor, the president, said the main area of improvement came from broiler prices which were 14 per cent higher than a year [illegible]

Yugoslavia seeks to plug the payments gap

BY PETER MONTAGNON

FACED WITH a serious gap in the country's balance of payments and dwindling foreign exchange reserves, Yugoslav officials have in recent months undertaken a veritable odyssey around the world in the search for large amounts of medium-term financing.

Last week a top level delegation from the country's central bank visited London for preliminary sounding on a jumbo Eurocredit. This week negotiations begin in Paris for financing totalling $200m from French banks. According to Mr. Ksente Bogoev, president of the National Bank, the talks are part of an overall plan to raise more thn $2bn in balance of payments finance this year and further substantial amounts in 1981 and 1982.

Mr. Bogoev said that a three-pronged approach was being employed. Yugoslavia was seeking bilateral finance from OPEC countries as well as from banks in *European countries* with which it had close trade connections. Finally, a jumbo Eurocredit was being sought from banks in other countries where interest in Yugoslavia was less specific.

Progress to data has been most significant in the OPEC arena. Due to be signed this month is a $250m, eight-year Eurocredit, with a margin of 1¾ per cent, provided by Kuwaiti banks. The banks have agreed to provide an additional $250m in each of the next two years on conditions still to be negotiated. Iraq has also agreed to a large economic package for an unspecified amount.

Preliminary discussions have also taken place with Libya over the provision of $75m this year and the same amount next year, while Yugoslavia hopes to obtain $150m a year for the next two years from the United Arab Emirates.

In Europe, the main target of Yugoslavia's efforts has been West Germany, where banks are being asked to provide DM 1.5bn this year and next year. Mr. Bogoev said that details of the credits were still being negotiatel, although Yugoslavia had won tha backing of the Bonn government for its request for funds.

The funds were being sought not in the form of official government assistance, but from banks at comercial rates with the *"moral backing"* of the governments concerned.

YUGOSLAV officials have been travelling widely recently in their attempts to win more than $2bn in balance of payments finance for the current year

On this basis Austrian banks have already agreed to provide $100m and talks with Swiss banks over a commitment of SwFr 100m are in the final stages.

Besides the request to French banks, Italian banks are being asked to put up $200m a year for the next two years and, according to Mr. Bogoev, the Italian Government has already indicated its support for the request.

With other countries, Yugoslavia has less-developed bilateral relationships. Their banks are to be asked to provide a jumbo Eurocredit with main participation coming from banks in the UK, U.S., Canada and Japan.

Lobbying for this credit is expected to begin earnest at the forthcoming International Monetary Fund meeting, but bankers already believe it will be a much more critical test of the country's standing in the Euromarkets than the bilateral *credits which are supported* by trading relationships important to both sides.

Until now, Yugoslavia's borrowing efforts have been dogged by two main problems: first, an unco-ordinated approach to the markets that has bewildered the banks and, second, lending limit problems at many major institutions.

The National Bank's approach to the markets is now much better co-ordinated. The bank will be borrowing in its own name, a departure from previous practice whereby funds were sought by a confusing plethora of domestic banks.

Lending limit problems remain, however, and for this reason neither the banks nor the borrower are ready at present to pinpoint a target amount for the jumbo credit.

The amount of the jumbo will thus be an important yardstick for judging Yugoslavia's success in these negotiations, but in turn, tha amount is likely to be heavily dependent on the margin the National Bank is willing *to pay. A spread of only 1¾ per* cent as paid to the Kuwaiti institutions looks too low to many bankers to warrant much enthusiasm for the credit.

To encourage them, the Yugoslav authorities are now stressing positive developments on the economic front. Mr. Bogoev said that based on returns for the first eight months this year's current account payments deficit *could turn out* below the official target of $2bn. Next year it would certainly be lower than $2bn and by 1985 the deficit was projected to contract to a tolerable $800m.

Meanwhile, foreign exchange reserves have risen nearly $1bn from their low point of $1.44bn at the end of March. They now stand at around $2.3bn and are expected to rise to about $2.6bn by the end of the year. Some of the recent increase reflects short-term borrowing by Yugoslav banks. This will be repaid once the medium-term finance starts to flow.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the *complete list of Eurobond prices published* on the second Monday of each month.

Closing prices on September 22

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Brit. Oxygen F. 10½ 90	50	83¾	84¼	−0½	−1½	13.80
CECA 11½ 88	100	93¾	94¼	−0¼	−1¼	12.77
Citicorp O/S Fin. 10 88	300	90¾	90⅞	0	−0⅛	12.34
Con. Illinois O/S 9¾ 86	150	88¼	88¾	−0⅛	−0⅜	12.65
Danmark 11¼ 90	100	92¼	92¾	0	−0½	13.12
Dome Petroleum 13½ 92	50	101⅛	101⅝	−0⅛	+0⅛	13.23
EEC 11 95	75	86⅞	87⅜	−0½	−0⅛	12.98
EEC 11 95	70	86½	87	−1	−1	13.05
EIB 11¾ 92	80	90¾	91½	−0⅜	−0⅛	13.28
EIB 13¾ 90	100	102¾	103⅜	−0⅛	0	13.17
Eksportfinans 11¾ 87	50	94¾	95⅛	−0⅛	−0¼	12.43
Eksportfinans 9½ 87	75	86⅝	87⅛	0	−0⅛	12.45
Elec. de France 10 88	125	87⅞	88⅜	0	−0½	12.45
Export Dv. Cpn. 12⅝ 87	100	99⅞	100⅜	−0½	−0⅛	12.68
Export Dv. Cpn. 9½ 86	150	87⅝	88⅛	−0⅜	−2¼	12.71
Federal Dev. Bk. 12⅛ 85	75	98⅜	98⅞	−0⅛	−1⅜	12.50
Fin. Exp. Credit 10½ 85	50	91½	92	−0⅛	−1¼	12.89
Finland Rep. of 9½ 86	100	86⅝	87⅛	−0⅛	−0⅜	12.92
Ford O/S Fin. 12¾ 85	250	97⅜	97⅞	+0⅛	0	13.29
George Weston 13¾ 87	30	†99¾	100¼	+0⅛	+0¼	13.49
GMAC O/S Fin. 11 84	100	95⅛	95⅝	−0⅛	−0½	12.43
GMAC O/S Fin. 13⅛ 85	100	102	102½	−0⅛	−0⅛	12.64
Goodyear O/S 12½ 87	75	97⅜	98⅛	0	+0⅛	12.96
Hudson's Bay 11½ 90	75	92½	93	−0½	−0⅛	12.82
IBM Canada 10⅛ 85	50	94½	95⅛	−0⅛	−0⅜	11.94
ICI Fin. Ned. 11 88	100	97⅜	97⅞	+0⅜	+0⅛	12.02
Int. Harvester 12¾ 85	115	98¼	98¾	−0⅛	+0⅛	13.16
McGraw 13½ 85	75	99½	100	−0⅛	−0⅛	13.61
NorWest Ind. 13⅝ 87	50	99½	100	−0⅛	0	13.64
Nova Scotia 10⅛ 90	50	90⅛	90⅝	−0⅜	−1⅜	12.49
OKB 10 85	60	92	92½	−0¼	−0⅜	12.20
Pembroke Capital 9⅜ 87	100	†87	87½	0	−0⅛	12.49
Pemex 11½ 88	100	92⅜	92⅞	−0⅛	0	13.04
Quebec Hydro 11½ 92	100	90⅜	90⅞	−0⅜	−1½	13.08
Rapateal O/S 11½ 88	100	87⅝	88⅛	−0⅛	+0⅛	14.14
Royleese Ltd. 11¼ 85	50	96	96½	−0¼	−0⅛	12.31
SNCF 12⅞ 85	50	99⅞	100⅜	−0⅛	−0⅛	12.29
Swed. Ex. Cred. 12½ 85	40	98⅜	98¾	−0⅜	−0½	12.90
UB Finance BV 11 90	50	87¼	87¾	−0⅜	−1¼	13.34
Unilever NV 9¾ 90	100	84⅜	84⅞	+0¼	+0⅛	12.54
World Bank 9¾ 85	200	91¼	91¾	0	0	12.15
World Bank 10¾ 87	300	90⅜	90⅞	−0⅛	−0⅜	12.35

Average price changes... On day −0⅛ on week −0¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Akzo 8 90	125	100⅞	101⅜	0	+0⅛	8.79
Australia 8¼ 90	250	100¼	101	−0⅛	−0⅜	8.02
BFCE 7¾ 87	100	96½	97¼	0	−0⅛	8.39
BFCE 8¼ 95	100	97¾	98¼	0	+0⅛	8.33
Brazil 8 87	150	87¾	88½	0	−0⅜	10.51
Council of Eur. 7¾ 89	100	93⅞	94¾	0	+0⅛	8.20
Denmark 7⅞ 86	100	98¼	99	0	+0¼	8.18
Denmark 8¼ 92	100	98⅞	99⅜	+0¼	−0⅛	8.34
EEC 7⅞ 94	225	95⅞	96⅜	−0⅛	0	8.33
Finland Rep. of 8 86	150	98	98½	0	−0⅛	8.33
Iberduero SA 8 90	190	99⅛	99⅞	0	0	8.07
Kobe, City of 7¾ 89	190	92⅞	93¾	−0⅛	−0⅛	8.21
Kobe, City of 8 90	100	99⅛	99⅝	−0⅛	−0⅛	8.09
Mt. Sk. Denmark 8½ 90	190	98⅜	99⅜	−0⅛	0	8.65
Norway 7½ 85	250	99⅜	99⅞	−0⅛	+0¼	7.62
OKB 7¾ 89	100	93½	94½	−0⅜	−0⅛	8.30
OKB 8¼ 92	150	98½	98⅞	−0¼	−0⅛	8.40
Oslo, City of 8½ 90	90	101¾	102¼	0	−0⅜	8.42
Sweden 9¾ 87	200	106⅛	106⅞	0	+0⅛	8.40
World Bank 8 90	700	97½	98⅛	−0⅛	0	8.32
World Bank 7⅞ 90	250	96⅝	97⅛	−0⅛	+0¼	8.38
World Bank 10 86	150	107⅞	108⅜	+0¼	+1⅛	8.09
World Bank 10 90	200	108¾	109¼	−0⅛	−0¼	8.57

Average price changes... On day −0⅛ on week 0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria Rep. of 6¼ 90	100	98⅛	98½	+0¼	+0½	5.59
Bergen, City of 4¾ 81	40	†91½	92	0	−0½	5.80
Bergen, City of 6 90	50	101	101¼	+0⅜	−1½	5.84
BMW Overseas 4¾ 81	100	87⅛	87½	−1⅛	−3	5.83
Buhrm'n-Tetterode 7 90	40	104½	104⅞	0	−0⅜	5.35
Caisse Nat. Tele. 4⅞ 88	100	91½	91⅝	0	−1½	5.66
Copenhagen 4½ 91	60	84½	84¾	−1⅛	−1½	6.50
Council of Eur. 5 89	100	94	94¼	−0⅛	+1⅛	5.84
Denmark 5¾ 90	60	99⅛	99⅝	−0⅛	0	5.61
EIB 4¼ 94	100	83½	84	−6¼	−0⅜	6.14
Elec. de France 4¼ 89	100	93⅜	93½	−0½	−0⅛	5.33
F. G. H. Hypo. Bk. 8 90	50	†101¾	102¼	−0⅛	−1	5.72
Finland Rep. of 5¾ 90	90	93¾	94	−0½	−0⅜	6.48
GZB 4¾ 89	100	88	88¼	−0⅛	+1⅜	5.98
Hilti 4½ 91	35	†91	91½	0	+0½	5.31
Int.-Amer. Dev. 4½ 89	100	91¾	91⅞	+0½	+0⅞	5.71
Int.-Amer. Dev. 7 90	80	104¼	104½	−0⅛	−1	6.37
Jutland Tele. 5½ 90	50	†88	88½	0	+0⅛	5.74
Malaysia 5 88	80	88	88½	−0½	−0¼	6.78
Newag 5¾ 90	80	100½	100¾	+0⅛	−0⅛	5.66
Nippon Tel. & T. 4¼ 89	100	91½	91¾	+0⅛	−4	5.46
Norges Komm. 4¾ 91	100	86½	86¾	+0½	−0½	6.07
OKB 4¾ 91	100	86	86¼	−0⅛	−1	6.14
OKB 6 90	100	†103	103½	0	0	5.55
Oslo, City of 4¾ 91	100	88⅛	88½	−0⅛	−1½	6.10
Philips Lamps 5¾ 92	100	97¾	98	−0⅛	−1½	5.90
Sekisui Pre. Hms. 6 90	80	102½	102¾	−0⅛	−0⅛	5.84
Shikoku El. Pwr. 4¾ 89	100	*93	93¾	−0⅜	−1	5.76
World Bank 4½ 89	150	88½	88¾	−0⅛	−0⅛	6.05
World Bank 4¾ 91	100	89	89¼	+0⅛	+0⅞	5.99

Average price changes... On day −0⅛ on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	91⅛	92¼	0	0	8.73
Australia 6½ 88	20	87⅞	88⅞	−0	+0⅛	8.67
EIB 7¾ 89	12	96⅛	97½	0	−0⅛	8.26
Finland 5.6 83	10	90⅝	91⅛	0	−0⅛	8.98
Finland 6.8 88	10	87⅞	88⅞	0	0	9.00
Finland, Rep. of 8⅛ 87	15	97	98	+0⅛	−0⅛	8.87

Average price changes... On day 0 on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10⅜ 86 C$	60	91½	92¼	+0⅛	−1	12.78
CIBC 13½ 85 C$	50	98⅛	98⅞	0	−0⅛	13.59
CIBC 11½ 85 C$	60	94¼	95	+0¼	−1¼	13.04
Federal Dev. 11½ 90 C$	80	88⅞	89⅜	0	−0⅛	13.62
Fst. Can. Inv. 10 84 C$	50	90½	91⅛	0	−0⅛	13.22
GMAC 12 85 C$	50	†94½	95½	−0⅛	−0¼	13.45
R. Bk. Canada 10 86 C$	40	90⅜	91⅛	+0⅛	−0⅜	12.30
Tordom Cpn. 13½ 85 C$	30	99⅛	99⅝	+0⅛	−0⅜	13.59
M. Bk. Dnmk. 8 91 EUA	25	94	95⅛	+0⅛	0	9.80
SOFTE 8¼ 89 EUA	40	88½	90	+0½	−0½	10.17
U. Bk. Nrwy 9⅜ 90 EUA	18	99	100¼	−0⅛	−0⅛	9.54
Algemene Bk. 8½ 84 Fl	75	96½	97	−0⅛	+1	8.28
Algemene Bk. 10⅛ 87 Fl	400	101	101½	+0⅜	+1⅛	9.97
Bk. Mees & H. 10 85 Fl	75	101¼	101¾	+0⅛	+1½	9.88
Heineken NV 10 87 Fl	75	100¾	101¼	+0¼	+1⅛	9.78
Norway 8⅞ 84 Fl	100	98⅜	98⅞	+0⅛	+0⅛	9.29
Philips Lamps 8⅞ 84 Fl	75	96⅛	96⅝	−0⅛	+0⅛	9.65
Aero. Paris 13⅜ 87 FFr	150	99¾	100¼	0	−0⅛	13.17
Air France 11 84 FFr	120	96⅝	97⅛	0	+0⅜	12.03
CECA 14¼ 88 FFr	150	104⅞	105⅞	0	0	12.78
Finland 11 84 FFr	80	93⅛	94⅛	0	−0⅛	12.96
Finland 11½ 88 FFr	70	92½	93½	0	0	12.84
Gaz de France 11 84 FFr	150	94⅞	95⅞	0	0	12.49
IBM France 11⅞ 84 FFr	120	95⅛	96⅛	0	+0⅜	13.19
Renault 9¾ 85 FFr	100	87⅛	88⅛	0	0	12.18
Solvay et Cie 9¾ 87 FFr	125	84½	85⅛	0	−0½	13.38
Utd. Mex Sts. 14 85 FFr	150	100½	101½	0	−0⅛	13.84
Beneficial Fin. 14¼ 90 £	20	98¼	99¼	−0⅛	−0⅜	14.46
Citicorp O/S 13½ 90 £	50	97¾	98½	−0½	−0½	13.88
EIB 11½ 91 £	25	89⅛	89⅞	0	−0⅛	13.37
Fin. for Ind. 12½ 89 £	30	94½	94⅞	0	−0½	13.58
Fin. for Ind. 14½ 88 £	20	100¾	101½	−0⅛	−0⅜	14.13
Gen. Elec. Co. 12½ 89 £	50	95½	96¼	−0⅛	−0⅜	13.30
Peugeot SA 14 90 £	23	97¾	98⅛	−0½	−0⅜	14.42
Rothschild 14¼ 90 £	12	98⅛	99½	−0⅛	+0¼	14.40
Swed. Ex. Cr. 15¼ 85 £	20	103¼	104	−0⅛	+0½	14.04
Beccbras 8½ 90 KD	7	†94	94½	+1⅜	+1	9.16
CCCE 8¼ 81 KD	10	†93⅛	93¾	0	−0⅞	9.12
Sonatrach 8½ 90 KD	12	†92	92½	−0⅛	0	9.77
Akzo 9¾ 87 LuxFr	500	93½	94¼	−0¼	0	10.66
Euratom 8 87 LuxFr	500	87¼	88¼	−0½	−0⅜	10.69
Euratom 9¾ 88 LuxFr	500	97⅛	98⅛	+0⅛	+0¼	10.18
EIB 9¾ 88 LuxFr	600	97½	98½	−0⅛	−0⅜	10.13
Volvo 9¾ 87 LuxFr	500	95⅛	96⅛	−0⅛	−0⅜	10.53

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bk. 5¼ 87	0⅛	97⅞	98⅜	2/1	10.44	10.64
Bank of Ireland 5¼ 89	‡0¼	98	98½	21/11	11⅛	11.58
Bank of Tokyo 5¼ 89	‡0¼	97	97½	25/10	9¼	9.51
Barclays O/S Inv. 5 90	0¼	97½	98	12/12	9⅝	9.85
Bergen Bk. A/S 6 89	‡0¼	97½	98	29/11	12¼	12.53
Bilbao Int. NV 5¾ 90	0¼	97¼	97¾	28/11	10.06	10.33
Citicorp O/S F. 83	§‡0	99¼	99¾	23/11	11.44	11.49
Citicorp O/S F. 84	‡0	99	99⅝	30/9	11.94	12.03
C. Itoh 5¼ 87	0¼	99⅝	100⅛	18/3	12½	12.39
Co-operative Bk. 5 88	0¼	98	98½	15/11	11.44	11.64
Creditanstalt 5½ 91	§‡0¼	98	98½	14/12	12.06	12.28
CNT 5¼ 86	§0¼	100	100½	16/10	18⅛	18.06
GZB 5½ 88	‡0¼	98	98½	1/11	9.81	9.99
Jugobanka 8 89	0⅞	91¾	93¼	23/11	11⅝	12.60
Ind. Bank Japan 5¼ 87	0¼	99	99½	15/10	18⅜	18.39
Lloyds Eurofin 8 90 £	0⅛	96⅛	96⅝	3/1	15⅝	16.32
LTCB Japan 8¼ 86	0¼	98½	99	13/12	9⅝	9.75
LTCB Japan 5½ 89	0¼	98	98½	7/12	10⅛	10.31
Mira Fin. O/S 5¾ 94	‡0¼	97⅞	98⅜	30/11	12⅛	12.37
Midland Intl. Flo. 5 88	0¼	97⅞	98⅜	20/12	9½	9.69
Midland Intl. Fin. 5¼ 92	0¼	97⅜	98⅛	8/12	10⅞	11.10
Nacional Fin. 6¼ 88	0¼	97⅝	98⅛	26/1	9.69	9.90
Nat West 5¼ 94	§0¼	99⅝	99⅞	11/10	18⅝	18.84
Nippon Credit 5½ 88	0⅛	97¼	97¾	12/1	9.56	9.81
Nippon Credit 5¼ 87	‡0¼	98½	98⅞	6/11	10⅞	11.03
Royal Bk. Scot. 5¼ 94	§‡0¼	98¾	99¼	11/10	9.31	9.41
Soc. G. de Bque. 6½ 87	0¼	97⅜	98⅛	3/10	20.06	20.47
Standard Chart. 5¼ 90	0¼	99⅝	100⅛	6/3	12.06	12.08
Svenska Hndlsbk. 5 87	0¼	98⅛	98⅝	16/1	10	10.17
Sweden 91	‡0¼	†96½	97	18/10	9.56	9.88
Williams & Glyn 5¼ 91	0¼	98⅞	99⅜	14/3	12.44	12.56
Sq. S. d'Alg. 4¾ 89 SF	0⅝	97⅜	97⅞	18/12	6½	6.96

Average price changes... On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
AGA Akt'bolag 7¾ 89	10/79	145	†121	122	+1	−1.71
Ajinomoto 7¾ 95	2/80	615.5	128¼	129½	0	−2.96
Alco Int. Fin. 9½ 94	1/80	40	†95½	97	+0¼	10.00
Apache I. Fin. 8¾ 95	12/80	21.12	†131½	133	−6¼	−3.66
Blocker Energy 8½ 85	1/81	21.87	†108	110½	+2⅜	−7.23
Canon 6¾ 94	8/79	570	127¼	128¾	−1⅛	6.25
Credit Suisse 4¾ 93	10/79	1278	117¼	118½	+0¼	−1.83
Daiei Inc. 6½ 94	11/79	927.3	97	98	−0⅜	21.90
OUKK 11 90	4/80	324	†104½	105½	−0⅞	17.12
Dynalectron 9½ 95	8/80	12.22	†111	113	−0½	5.28
Enserch Fin. 9½ 94	7/80	30.25	†137	138	−1⅛	−1.25
INA Overseas 8¾ 2000	4/81	42	100½	101¼	+0¼	0.15
Inchcape Ltd. 8 95	2/81	4.55	108½	109⅛	−0⅛	−2.09
Meidensha Elec. 7 94	12/79	210	†109	110½	−0⅛	2.11
MEPC 8¼ 96	2/81	2.47	106⅞	107⅞	−1½	5.51
Mitsubishi Cp. 6½ 94	10/78	549.1	129¾	130½	−2⅜	−2.86
Ricoh 6¾ 95	8/80	504	104½	105½	−0⅞	1.36
SBC 5¾ 90	9/80	200	100½	101½	+0⅛	5.88
Toshiba Cpn. 7¾ 94	10/79	198	114¾	115⅝	−1⅛	−0.75
Union Bk. Switz. 6 89	2/80	121.4	100¾	101¾	+0⅛	0.96
Fujitsu 5 84 DM	7/79	475	114⅝	115⅞	0	−0.28
Sharp Corp. 6½ 88 DM	9/80	685	110¼	111¼	−0⅛	−1.53
Uny Co. 6½ 85 DM	11/79	1071	95½	96½	−0⅛	18.69

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

SPANISH TEXTILES

Closing the book on the Intelhorce saga

BY ROBERT GRAHAM IN MADRID

THE STATE takeover of a group of Spanish textiles companies has closed the book on one of the more controversial industrial stories of the Franco era. The Intelhorce group has been bought for a nominal Pta 1 by the state Property and Investment Department which operates under the Ministry of Finance, separate from the state holding company, INI.

The saga of Intelhorce began in 1957 when INI, in order to promote investment in southern Spain, decided to establish a textile plant at Malaga. Intelhorce, with a labour force of 3,500, became the region's largest employer. In December 1972 the then head of INI, Sr. Claudio Boada, agreed to hive off the company into the private sector. The purchaser was the Castell group, a Catalan enterprise with important textile interests which controlled Banco de Madrid and an industrial bank, Cadesbank.

The reason for the sale was never clear. The company had accumulated losses of Pta 331m ($4.7m) and the sale price was Pta 842m ($11.7m), equivalent to 55 per cent of the nominal value of the shares.

Only in the first year under private ownership did the company show a profit. By 1979 Intelhorce had accumulated losses of Pta 11.2bn. Almost 60 per cent of these losses occured in the last two years. This is the biggest single private sector loss outside the steel industry.

Losses were the result of a mixture of factors. Intelhorce became a victim of the changed and more liberal climate in the wake of Franco's death. Under Franco industrial peace was bought with high wages, which manufacturers could offset against "privileged" credits and through external tariffs and internal protection. In 1977 the credit system was partially liberalised and privileged credit for industrial concerns like Intelhorce became hard to obtain.

Suddenly the company's financial costs soared but there was no check to the wages bill as Government policy allowed wages to rise sharply. At the same time recession hit the domestic economy and foreign sales became tougher, carried out on reduced margins. In the case of Intelhorce wages were some 20 per cent above the industry average.

The situation was complicated by two further matters. Banco de Madrid and its affiliate, Cadesbank, stepped in to provide substantial credits. But these banks were also involved simultaneously in propping up six other ailing textile plants near Barcelona based on Intelhorce's subsidiary, Gossyplum.

As early as December 1977 the Castel group approached the Government to buy back the company, negotiations dragged on, with the Government reluctant to assume responsibility for something willingly bought by the private sector.

Matters came to a head this spring with a large scale salvage operation to aid the two banks which were the effective owners of Intelhorce and Gossyplum. The country's leading bank, Banesto, took over Banco de Madrid, in which it had a 17 per cent stake, and Cadesbank is being refloated with the aid of the banking system's deposit guarantee fund. Banco de Madrid and Cadesbank agreed to write off Pta 7.75bn ($110m) in loans to Intelhorce, the elimination of all reserves and a capital write down from Pta 3bn to Pta 750m. They also agreed to write of Pta 4.75bn in loans to Gossyplum, which had accumulated losses of Pta 3bn.

The Government eventually agreed to step in to preserve jobs—Malaga has one of the highest unemployment rates in Spain. But drastic surgery is being applied, with union agreement, that includes the freezing of the wage bill for the next two years at 1979 levels with individual salaries held to a maximum 4 per cent increase, and the right to lay off workers.

Against this Pta 3.9bn of Intelhorce's outstanding debt has been restructured on a 10-year roll over at zero interest for the first two years, and capital is being raised by Pta 1.5bn.

The most significant davalopment, however, is the way the Government has steered these textile companies away from INI to the state Investment and Property Department. The precedent of INI buying back a company that it sold off eight years previously would have been politically embarrassing. The solution is a compromise. The department manages direct government holdings in 36 companies which include the three monopolies of tobacco, telephones and petroleum distribution. Unlike the INI companies, nearly all are profit making and the department itself operates closer to market principles.

Whether this can be done with the Castel group remains to be seen. But as a result of this takeover, and an earlier seizure of another textile company, Hyatasa, the department now controls about 9 per cent of the sector's production.

CIGA hotels takeover completed

BY RUPERT CORNWELL IN ROME

INTERPROGRAMME, THE Swiss-Italian property fund group, has completed its purchase of a controlling stake in the luxury hotels group, Ciga, from the Rome-based property group, Societa Generale Immobiliare.

Under the deal, which was signed at the weekend, the Interprogramme concern of Sig. Orazio Bagnasco will pay L45bn ($53m) in cash for the 8.9m Ciga shares owned by SGI which constitute 41.4 per cent of the capital of the hotel chain.

The injection of liquidity will be particularly useful for SGI, both as a means of reducing its current short-term debt exposure of L75bn, and in pushing through the rationalisation programme now under way.

Meanwhile, CIGA, whose assets include hotels such as the Gritti Palace and the Danieli in Venice, has reported a 29 per cent jump in first half 1980 revenue despite a slight drop in the number of guests at its chain.

For its part, Interprogramme has announced that it has withdrawn its original offer, believed to have been worth L260bn, for the remnants of the property empire of the Caltagirone brothers, now facing charges of fraudulent bankruptcy.

● Olivetti, the Ivrea-based office equipment and electronics concern, yesterday announced that it had acquired a significant shareholding in the U.S. company Docutel, a market leader in automatic bank tellers.

The Italian company has acquired a 12 per cent stake in Docutel. Financial terms were not disclosed.

The agreement is also accompanied by an arrangement whereby Olivetti will have exclusive sales rights for Docutel automatic tellers outside the U.S. and Canada, while in North America the Dallas-based company will have similar rights for Olivetti banking system products.

Olivetti added last night that the two companies also plan to pool forces on research in the bank teller field, to increase the harmonisation of their respective systems.

Losinger sees higher turnover

By John Wicks in Zurich

TURNOVER of the Losinger concern, Switzerland's biggest construction company, is expected to reach SwFr 600m ($365.8m) this year, compared with SwFr 559.2m in 1979.

In a letter to shareholders, Mr. Vinzenz Losinger, the chairman, said that operating cash flow will have to show a further "marked improvement" for profits to reach a satisfactory level. Losinger AG, the parent company, has not paid a dividend since 1976.

While conditions on the Swiss construction market remain mixed, Losinger views the development of its important foreign operations optimistically.

Venture capital offshoot planned by Dutch bank

BY CHARLES BATCHELOR IN AMSTERDAM

A NEW company is to be set up by Nederlandsche Middenstandsbank (NMB) to provide venture capital to industry following the easing of regulations governing equity investments by banks.

NMB, which specialises in financing small and medium-sized businesses, has announced that it is to form Nederlandsche Middenstands Participatie Mij (NMPM) with Fl 20m ($10m) of issued capital, of which half has been paid up. The participation company may raise its capital to Fl 100m later.

The bank, which is the fourth largest in the Netherlands, is the first to respond to the easing of the central bank's rules on non-banking participations.

The central bank last week announced the scrapping of previous regulations limiting banks to a 5 per cent holding in companies. It will now allow banks to put up Fl 2.5m of capital into a company, provided they remain minority shareholders and they retain their holding for only five years. Banks must not commit more than "a few percentage points" of their own capital to this form of investment.

NMB will initially limit itself to 5 per cent of it's own Fl 1bn capital but hopes to be allowed by the central bank to raise this to 10 per cent later. It will concentrate on young and expanding companies.

Enpetrol seeks $50m credit

By Peter Montagnon

SPAIN'S OIL concern, Enpetrol, is seeking to raise a $50m Eurocredit for 12 years at a margin of ¾ per cent above interbank rate. Lloyds Bank International is understood to be agent, although the borrower itself is taking an unusually active role in the syndication process.

As with the recent $50m private placement arranged by Chase Manhattan for the telephone company, Cie Telefonica, the borrower has been able to impose a fine margin and long maturity because of lucrative collateral business it offers to the banks.

The Telefonica credit also bore a ½ per cent margin, although the maturity was 10 years.

The terms do, however, underline the popularity of Spanish borrowers with international banks at present. Among expected future deals is a $150m borrowing by the government agency, Instituto de Credito Official, but bankers say there are no concrete signs so far of a jumbo Eurocredit for the Kingdom of Spain itself.

Separately, Cia Secillana de Electricidad has mandated Bank of Montreal to raise C$60m over nine years at a margin of ⅝ per cent above Canadian prime rate.

Odd bedfellows as HK land sales set records

BY OUR HONG KONG CORRESPONDENT

HONG KONG'S volatile property market has in the last week featured the largest block of land ever to go under the hammer at an auction here, the highest amount ever bid for property in a government tender, and strange bedfellows in the consortium that won the tender.

The record area property was a 52.5m sq ft site in the New Territories for which a four-member consortium headed by Cheung Kong (Holdings) and China Resources, an investment arm of Chinese Government, paid the reserve price of HK$600m (around US$120m). The site, to be developed into one of the new towns that now dot the New Territories, had earlier been spoken for by the consortium, but was put on auction by a court order after a dispute arose about payments to minority owners.

A record in payment was set with a HK$1.3bn purchase of a 71,000 sq ft lot in a prime commercial area on the tip of the Kowloon Peninsula. The price per square foot of HK$18,000 is less than the HK$26,000 per square foot paid for a commercial building site on Hong Kong Island earlier this year, but the Island site is a much smaller one.

Sale of the Kowloon site, together with that of an HK$818m industrial site, announced at the same time, will net the Hong Kong Government over HK$2bn (more than US$400m) in a single week.

More interesting than the price, however, was the makeup of the seven-member consortium which bought the lot. It was organised by Mr. Li Ka-shing, the chairman of Cheung Kong, was headed by that shipping magnate, Sir Yue-Kong Pao, and it included Hongkong Land, the giant property concern which Sir Yue-Kong bumbled in June in a takeover battle for Hongkong and Kowloon Wharf.

Wharf itself is also in the consortium, along with Chinese Arts and Crafts (HK) an arm of the Chinese Government and a retailer of arts and crafts in Hong Kong, the Canadian Imperial Bank of Commerce, Cheung Kong, and two small local developers.

"I'll admit that it doesn't look like the most natural grouping after all we've been through in the last few months," said one member of the consortium.

Ford plans to part with stake in JATCO

By Yoko Shibata in Tokyo

FORD MOTOR COMPANY has reached a preliminary agreement to transfer its 50 per cent stake in Japan Automatic Transmission Company (JATCO) to Nissan Motor and Toyo Kogyo. Several meetings between Nissan and Toyo Kogyo to discuss the capital take-over of JATCO have failed to bring agreement on the ratio of distribution of the capital, according to Nissan.

JATCO was established in 1975 under Ford's manufacturing licence for the domestic prodnction of automatic *transmissions* in anticipation of strong demand for automatic vehicles. The company was capitalised at Y3.24bn (U.S.$15.2m) with 50 per cent held by Ford, and 25 per cent each by Nissan and Toyo Kogyo.

Nissan has tightened its grip on JATCO by purchasing 70-80 per cent of its output and installing a Nissan executive as president of JATCO. Nissan's original intention was to briog *its stake in JATCO* to over 50 per cent and eventually to attain full control.

However, the agreement on Ford's equalisation of a 25 per cent stake in Toyo Kogyo is May last year threatened Nissan with a lessening of its influence over JATCO, and its stable supply of automatic transmissions.

During the past year, Nissan has been strenuously negotiating for the transfer of half Ford's 50 per cent stake in JATCO to Nissan.

However, Ford was reluctant to retreat from JATCO, since the joint venture company has reported good business, has no debts, and pays high dividends.

Despite the increasing demand for automatic vehicles, Japanese car makers, other than Honda, are dependent for their supplies of automatic transmissions on foreign capital-affiliated parts makers. Nissan, Fuji Heavy Industries and Toyo Kogyo ohtain automatic transmissions from JATCO. Toyota, and the Toyota subsidiary Daihatsu Motor, depend for their supply on Aishin-Warner, which is jnintly owned hy aoother Toyota subsidiary Aishin Seiki and the major U.S. car parts maoufacturer Borg Warner.

Toyo Kogyo is insisting on Ford's stake in JATCO being shared on an equal hasis between the two Japanese partners. Nissan argues that the capital distribution ratio should be one to four or one to three, to reflect the fact that 80 per cent of JATCO products are hought by Nissan.

In order to hreak the deadlock, Nissan has proposed a three-corner meeting with Ford Mntor as an arbitrator. The talks will include negotiations on the transfer price.

Bank of New Zealand

THE Bank of New Zealand has repnrted net profits up 10 per cent to NZ$13.2m (U.S.$13m) for the year tn March 31, after tax up hy NZ$2m tn NZ$16.7m. Dividend total NZ$6.5m, Dai Hayward writes from Wellington.

JAPANESE INDUSTRY

Putting the figures in perspective

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

BRITISH STEEL Corporation's turnover in 1978 was just over one-third that of the Nippon Steel group but its workforce was 93 per cent larger. Turnover per employee at BSC was *thus 19 per cent of the Nippon* Steel figure, reports Dodwell Marketing Consultants in the latest (4th) edition of its well-known reference work on the Japanese corporate landscape: Industrial Grouping in Japan*

The Dodwell guide, first published in 1973, is a comprehensive analysis of the six major diversified Japanese business groups (Mitsubishi, Mitsui, Sumitomo, etc.) as well as of a number of more specialised groups confined to individual industries (such as Nippon Steel and Toyota). Apart from analysing the interlocking shareholder relationships between group members and listing their rankings in major industries, the book provides an illuminating series of comparisons between the Japanese groups and overseas competitors.

According to Dodwell's researchers, the world's largest multinational corporation, General Motors, recorded a 1978 sales figure of 59 on a scale in which the Mitsubishi group's turnover equals 100. Other rankings on the same table are: Royal Dutch Shell 41, IBM 40, ICI 8, and British Steel 5. The book avoids giving the impression that Mitsubishi and other Japanese groups are directly comparable with American multinationals in their corporate structures and modes of operation. Mitsubishi, for example, consists of a cluster of 28 "nucleus" companies with several hundred more loosely related associates.

The main groups have also acted to establish "group joint ventures" in new industries, such as nuclear power, ocean development, leasing, and computers and information services.

The most fascinating part of the Dodwell analysis is that which compares the overall performance of major Japanese industrial groups with overseas competitors.

JAPANESE GROUPS COMPARED

1978 figures

	Number of companies	turnover Y bn	net profit Y bn	capital Y bn	employees '000s
Mitsubishi	136	22,336	201	982	387
Mitsui	102	16,058	121	612	200
Sumitomo	108	16,407	174	813	325
Fuyo	103	14,962	108	713	256
Dai-Ichi Kangyo	64	16,654	85	626	217
Sanwa	80	13,552	82	569	217

Holding companies are illegal in Japan, the Dodwell book explains, so that shareholdings in the big groups are mutual rather than vertical. In some groups, however, the ratio of "*crossholdings*" (ie, the proportion of a member-company's stock held by other group members) is as high as 40 per cent. Apart from mutual shareholdings, links between group members take the form of monthly meetings of company presidents (whose proceedings in most cases are closely guarded secrets).

Apart from the Nippon Steel-BSC comparison, a striking contrast is that between Toyota (the number one Japanese car manufacturer, and since the start of 1980 the world's second *biggest motor producer*) and British Leyland. BL's turnover in 1978 stood at 25 on a scale in which Toyota's sales represented 100, but BL had 42 per cent more employees than Toyota and its turnover per employee was *18 per cent of the* Toyota figure. BL's shareholder equity ratio in 1978 was 34 per cent to Toyota's 47.5 per cent, an exception to the general pattern of higher equity ratios for western companies.

A comparative ranking of the Japanese groups themselves shows Mitsubishi comfortably topping the list in 1978 with a turnover of Y22,336bn ($103bn) followed by Dai-Ichi Kangyo (Y16,654bn) and Sumitomo (Y16,058bn). Sumitomo grew more rapidly than any of the other groups between 1976 and 1978, and also recorded the highest level of interlocking shareholdings. The Mitsubishi group, consisting of 136 companies according to Dodwell, accounted for 5 per cent of the turnover of all Japanese companies capitalised at Y10m or more while the top six groups together accounted for 21 per cent of the same total.

Dodwell's analysis of Japanese industrial groupings has been criticised in some quarters on the ground that the inclusion or exclusion of some companies in the major groups involves an element of "subjectivity." This *appears to be true so* far as companies on the fringes of the groups are concerned. It is not true, however, with the "nucleus" or core companies which actually account for the bulk of each group's turnover.

**Industrial Groupings in Japan, Revised Edition 1980-81 published by Dodwell Marketing Consultants, Price* Y50,000.

CURRENCIES, MONEY and GOLD

£ & $ strong

Sterling and the U.S. dollar both rose sharply in currency markets yesterday, underpinned by current unrest in the Middle East. The conflict between the two oil states, Iran and Iraq, increased demand for the pound, as the UK is seen as being generally insulated from the effects of any possible disruption of oil supplies from the Middle East. Sentiment for sterling was also improved by comments over the weekend by Mr. John Nott, the Trade Secretary, which tended to decrease market rumours of an early cut in MLR.

The dollar was bolstered by a firmer trend in Euro-dollar rates, and signs of a further rise in domestic interest rates, following last week's sharp rise in the money supply.

Sterling's trade weighted index rose to equal its five and a half year high, closing at 76.5 compared with 75.6 on Friday. Against the D-mark, the pound touched its best level for over four years, and was quoted at DM 4.3450, up from DM 4.2875, while in terms of the French franc it reached its highest level since April 1975 at FFr 10.08, against FFr 9.9575 on Friday. Against the dollar, sterling opened at $2.3925, which was its low for the day, and although trading in most currencies was quiet initially, sterling attracted buyers from the beginning, and by noon had risen to $2.3950. Around 3 pm it was quoted at $2.3965, and continued to improve to finish at its best level of the day at $2.4030-2.4040, a rise of 1.8c from Friday.

The dollar was firmer against most currencies, closing at DM 1.8065 against the D-mark, its highest level for a month, and compared with Friday's close of DM 1.7960. Against the Swiss franc it rose to SwFr 1.6575 from SwFr 1.6445, and Y214.75 from Y210.90 in terms of the Japanese yen. On Bank of England figures, the dollar's trade weighted index rose to 84.0 from 83.5.

DEUTSCHE MARK — One of the weaker members of the European Monetary System, and trading on or just above a four-year low against sterling. However, it has shown little overall movement against other currencies lately despite the latest cut in the Bundesbank Lombard rate—The Deutsche Mark was slightly weaker overall at yesterday's fixing in Frankfurt, with attention tending to focus on the U.S. dollar and sterling in the light of current Middle East unrest. Sterling touched a new four-year high and was fixed at DM 4.3080 compared with DM 4.2810 on Friday, while the dollar rose to DM 1.7980 from DM 1.7961. Elsewhere, the Swiss franc eased to DM 1.0915½ from DM 1.0934, and the Belgian franc was higher at DM 6.238 per BFr 100 compared with DM 6.235 previously. The French franc was fixed slightly lower at DM 43.02 per FFr 100 from DM 43.04.

BELGIAN FRANC — Showing a weaker tendency in terms of its EMS partners, and despite central bank support, unlikely to stage any sustained recovery in the short term—The Belgian franc made marginal gains at yesterday's fixing in Brussels, but the basic undertone remained weak. Currencies improving at the franc's expense included sterling at BFr 69.11 compared with BFr 68.735 on Friday, and the French franc at BFr 6.9012½ against BFr 6.90 previously. On the other hand the U.S. dollar eased slightly to BFr 28.8525 from BFr 28.86, and the Deutsche Mark was lower at BFr 16.0375 from BFr 16.045.

THE POUND SPOT AND FORWARD

Sept. 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.3925-2.4040	2.4030-2.4040	0.95-0.85c pm	4.49	2.07-1.97 pm	3.36
Canada	2.7900-2.8040	2.8025-2.8035	1.50-1.40c pm	6.21	3.30-3.70 pm	4.64
Nethlnd.	4.67-4.73	4.71½-4.72½	3-2c pm	6.36	6¾-5¾ pm	5.30
Belgium	68.95-69.80	69.65-69.76	27-17c pm	3.78	53-43 pm	2.75
Denmark	13.31-13.44	13.42½-13.42½	1½-3ore dis	-2.01	8¾-10 dis	-2.72
Ireland	1.1415-1.1530	1.1515-1.1525	0.21-0.12p pm	1.72	0.37-0.28 pm	1.19
W. Ger.	4.29½-4.35½	4.34-4.35	3½-2¼pf pm	7.59	7¾-6¾ pm	2.58
Portugal	119.20-120.20	119.90-120.10	par-40c dis	-2.00	par-110 dis	-1.83
Spain	175.75-176.75	176.65-176.75	100-145c dis	-8.32	270-340dis	-6.90
Italy	2042-2058	2058-2067	8¾-10¾lire dis	-5.69	42-45 dis	-8.46
Norway	11.61-11.70	11.68½-11.69½	3½-2½ore pm	2.85	8½-7 pm	2.65
France	9.99-10.09	10.07½-10.08½	4¾-3¾c pm	5.06	9¾-8¾ pm	3.67
Sweden	2.96-10.02	10.00½-10.01½	¾-1½ore dis	-1.35	3½-4½ dis	-1.60
Japan	505-520	515½-516½	0.85-0.45y pm	1.51	3.85-3.45 pm	2.63
Austria	30.40-30.70	30.65-30.70	14-11gro pm	4.89	28-23 pm	3.33
Switz.	3.93½-3.99½	3.98-3.99	4½-3½c pm	10.92	10-2 pm	6.54

Belgian rate is for convertible francs. Financial franc 69.90-70.00. Six-month forward dollar 2.68-2.58c pm. 12-month 3.25-3.10c pm.

THE DOLLAR SPOT AND FORWARD

Sept. 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.3925-2.4040	2.4030-2.4040	0.95-0.85c pm	4.49	2.07-1.97 pm	3.36
Ireland†	2.0860-2.0950	2.0850-2.0880	0.50-0.40c pm	2.58	1.20-1.10 pm	2.20
Canada	1.1661-1.1670	1.1663-1.1666	0.11-0.07c pm	0.92	0.31-0.26 pm	0.98
Nethlnd.	1.9540-1.9630	1.9620-1.9630	0.38-0.28c pm	1.89	1.05-0.95 pm	2.04
Belgium	28.81-29.01	28.99-29.01	1c pm-par	0.21	par-2 dis	-0.14
Denmark	5.5600-5.5820	5.5805-5.5820	2.40-2.90ore dis	-5.70	7.35-7.85dis	-5.45
W. Ger.	1.7950-1.8090	1.8060-1.8070	0.53-0.48pf pm	3.39	1.61-1.57 pm	3.52
Portugal	49.88-50.08	49.98-50.08	18-33c dis	-6.12	40-65 dis	-5.00
Spain	73.37-73.63	73.58-73.63	55-75c dis	-10.60	175-200dis	-10.19
Italy	854.00-855.10	854.60-855.10	2½-8lire dis	-10.12	24-27 dis	-11.93
Norway	4.8535-4.8615	4.8600-4.8615	0.30-0.80ore dis	-1.36	0.60-1.10dis	-0.70
France	4.1755-4.1945	4.1930-4.1945	0.32-0.22c pm	0.77	0.32-0.22 pm	0.26
Sweden	4.1565-4.1665	4.1650-4.1665	1.85-2.00ore dis	-5.54	5.00-5.15dis	-4.87
Japan	212.50-215.20	214.70-214.80	0.40-0.55y dis	-2.65	0.15-0.30dis	-0.42
Austria	12.71-12.77¾	12.76¾-12.77¾	0.90-0.30gro pm	0.56	1¼ pm-½ dis	0.12
Switz.	1.6450-1.6600	1.6570-1.6580	0.95-0.90c pm	6.70	2.69-2.64 pm	6.43

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

Sept. 22	Bank of England Index	Morgan Guaranty Changes %
Sterling	76.5	-29.4
U.S. dollar	84.0	-9.6
Canadian dollar	20.6	-17.3
Austrian schilling	155.8	+24.4
Belgian franc	114.7	+16.2
Danish kroner	105.9	-5.9
Deutsche mark	152.3	+42.2
Swiss franc	196.2	+78.0
Guilder	125.8	+18.8
French franc	100.5	-6.2
Lira	52.5	-51.5
Yen	132.8	+30.4

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

CURRENCY RATES

Sept. 19	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	16	0.552283	0.590025
U.S. $	10	1.31609	1.40633
Canadian $	11.09	1.53509	n.a.
Austria Sch.	6¾	15.7195	17.8814
Belgium F	18	37.8884	40.6077
Danish K	12	7.25560	7.84378
D'mark	7½	2.36583	2.53040
Guilder	8½	2.56901	2.74083
French Fr.	9½	5.50015	5.88356
Lira	15	1125.51	1200.55
Yen	8.25	280.986	207.860
Norwgn. Kr.	9	6.32817	6.83404
Spanish Pts.	8	96.6681	103.330
Swedish Kr.	10	n.a.	5.85942
Swiss Fr.	3	8.15825	8.31522

OTHER CURRENCIES

Sept. 22	£	$		£ Note Rates
Argentina Peso	4605-4625	1923-1830	Austria	30.45-30.75
Australia Dollar	2.0555-2.0575	0.2650-0.8555	Belgium	69.48-70.05
Brazil Cruzeiro	135.16-136.16	56.54-56.74	Denmark	13.34-13.44
Finland Markka	8.72-2.77	3.6530-3.6540	France	10.01-10.11
Greek Drachma	101.803-104.265	42.85-43.05	Germany	4.30¾-4.34¾
Hong Kong Dollar	11.93½-11.95½	4.9925-4.9055	Italy	2040-2130
Iran Rial	n.a.	n.a.	Japan	512-517
Kuwait Dinar (KD)	0.635-0.641	0.2671-0.2672	Netherlands	4.68½-4.72½
Luxembourg Frc.	69.65-69.75	28.99-22.01	Norway	11.61-11.71
Malaysia Dollar	5.0825-5.0826	2.1230-2.1250	Portugal	118¾-122½
New Zealand Dlr.	2.4460-2.4480	1.0170-1.0125	Spain	171-180
Saudi Arab. Riyal	7.81-7.07	3.3190-3.3210	Sweden	0.85-10.05
Singapore Dollar	5.0550-5.0550	2.1115-2.1135	Switzerland	3.94¾-3.88¾
Sth. African Rand	1.8085-1.8100	0.7525-0.7530	United States	2.30½-2.41
U.A.E. Dirham	8.79-8.85	3.5880-3.6900	Yugoslavia	70¾-72¾

Rate given for Argentina is free rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU September 22	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.7897	40.6114	+2.07	+0.74	±1.53
Danish Krone	7.72336	7.84603	+1.59	+0.26	±1.64
German D-Mark	2.48208	2.53244	+2.03	+0.70	±1.125
French Franc	5.84700	5.88663	+0.68	-0.65	±1.3557
Dutch Guilder	2.74362	2.75371	+0.37	-0.96	±1.512
Irish Punt	0.668201	0.672865	+0.70	-0.63	±1.668
Italian Lira	1157.79	1202.10	+3.83	+2.55	±4.06

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Sept. 22	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.404	4.345	516.0	10.08	3.985	4.720	2057.	2.805	69.70
U.S. Dollar	0.416	1.	1.808	214.7	4.194	1.658	1.964	855.6	1.166	29.20
Deutschemark	0.230	0.553	1.	118.8	2.320	0.917	1.086	473.3	0.646	16.04
Japanese Yen 1,000	1.938	4.658	8.421	1000.	19.53	7.723	9.147	3225.	5.432	135.1
French Franc 10	1.992	2.384	4.311	511.9	10	3.953	4.685	2040.	2.721	69.15
Swiss Franc	0.251	0.602	1.090	129.5	2.529	1.	1.184	515.1	0.703	17.49
Dutch Guilder	0.212	0.509	0.921	109.3	2.136	0.844	1.	435.7	0.594	14.77
Italian Lira, 1,000	0.486	1.169	2.113	250.9	4.902	1.938	2.295	1000.	1.363	33.89
Canadian Dollar	0.367	0.857	1.550	184.1	3.596	1.492	1.684	733.7	1.	24.87
Belgian Franc 100	1.435	3.448	6.234	740.3	14.46	5.717	6.772	2951.	4.022	100.

FT LONDON INTERBANK FIXING (11.00 a.m. SEPTEMBER 22)

3 months U.S. dollars		6 months U.S. dollars	
bid 12 1/8	offer 12 1/4	bid 12 9/16	offer 12 11/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris, and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market Closing Rates)

Sept. 22	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	16-16¼	10¾-11	10-11½	9¾-9⅞	1-1½	8½-8⅝	11½-11¾	14-18	10⅞-10⅜	16¾-17¼
7 days' notice	16¼-16½	10⅞-11⅛	10-11½	9⁷⁄₁₆-10⅛	5¼-6⅜	2½-8⅝	11½-11¾	12¾-21½	10⅞-11	18⅝-19⅛
Month	16½-16¾	11⅜-12⅛	10¼-10⅝	10⅛-10⅜	5⅛-5⅜	8⅝-8¾	11⅞-12⅛	29½-24	11⅛-12⅛	14⅞-16⅛
Three months	15¾-16	12⅛-12⅝	10¾-11⅛	10⅜-10⅝	5½-5⅝	8½-8⅝	12-12¼	24½-25½	12⅛-12⅝	19½-12¾
Six months	15-15¼	12½-12¾	11⅛-11⅞	10⅛-10⅝	5⅛-5⅜	8⅜-8⅝	12⅜-12⅝	26¾-26¾	12⅛-12⅝	11¼-11½
One Year	14¼-14½	12½-12¾	11⅞-12¼	10⅝-10⅞	5⅜-5⅝	8¼-8⅜	12⅝-12⅞	24-25	12½-12⅝	10¼-10½

Long-term Eurodollar two years 12⅝-12⅞ per cent; three years 12⅝-12⅞ per cent; four years 12⅝-12⅞ per cent; five years 12⅝-12⅞ per cent nominal closing rates. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice. Asian rates are closing rates in Singapore.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 11.30-11.40 per cent; three-months 11.80-11.90 per cent; six-months 12.15-12.25 per cent; one year 12.20-12.30 per cent.

INTERNATIONAL MONEY MARKET

French rates firm

Short term money rates showed a slightly firmer tendency in Paris yesterday, despite the relatively high levels of liquidity. This underlines the authorities' intention to keep interest rates artificially high, and help underpin the French franc. The latter has been suffering recently, notably against the U.S. dollar, partly because of continued high inflation—currently running at 13.6 per cent per annum—and a general decline in French foreign trade. To help counter the effects of these, interest rates have been kept at an attractively high level, with some domestic paper yielding over 13 per cent.

In the money market yesterday call money was increased to 11 $\frac{7}{16}$ per cent from 11¼ per cent on Friday, although funds were in good supply after the Bank of France had bought FFr 5bn of first category paper from the market at an increased rate of 11¼ per cent, compared with 11⅛ per cent previously.

In Frankfurt call money was quoted at 9.00 per cent compared with 8.875 per cent on Friday, with longer term rates showing an easier tendency where changed. One month money fell to 8.70 per cent from 8.775 per cent and the three-month rate was lower at 8.70 per cent compared with 8.75 per cent.

In Amsterdam interbank money rates were lower. Call money eased to 9.375 per cent from 9.75 per cent, and one-month money fell to 9.75 per cent against 10.3125 per cent.

MONEY RATES

NEW YORK	
Prime Rate	12½
Fed. Funds	10⅞-11
Treasury Bills (13-week)	10.52
Treasury Bills (26-week)	10.84
GERMANY	
Discount Rate	7.50
Overnight Rate	8.00
One month	8.70
Three months	8.70
Six months	8.60
FRANCE	
Discount Rate	9.5
Overnight Rate	11.3125
One month	11.50
Three months	11.75
Six months	11.8125
JAPAN	
Discount Rate	8.25
Call (Unconditional)	11.3750
Bills Discount (three-month)	11.84875

UK MONEY MARKET

Moderate assistance

Bank of England Minimum Lending Rate 16 per cent (from July 3, 1980)

Day to day credit was in short supply in the London money market yesterday, and the authorities gave assistance on a moderate scale. This comprised small purchases of local authority bills and a moderate amount of Treasury bills, both direct from the discount houses. The latter were paying 15-15½ per cent for secured call loans at the start, with closing balances taken between 15 per cent and 15¾ per cent. The market was faced with a large excess of revenue transfers to the Exchequer over Government disbursements, but this was off set to some extent by a small decrease in the note circulation, and balances brought forward over the weekend by banks being a small way above target.

In the interbank market overnight money opened at 15¾-16 per cent and dipped briefly to 15½-15⅝ per cent before coming back on the forecast to 15¾-16 per cent, where it stayed for much of the day. It touched 16-16⅛ per cent during the afternoon but fell to 15¼ per cent before closing at 16¼-16⅜ per cent. Period rates were mostly firmer, reflecting recent comment intimating that MLR would probably not be cut in the short term.

GOLD

Sharp rise

Gold rose above $700 for the first time since February this year in the London bullion market yesterday, closing at $710-713, a rise of $34 an ounce from Friday. Demand for the metal grew as tension over the Middle East conflict between Iraq and Iran increased. The closing level was the high for the day, but in New York gold continued to improve and was quoted at $718.

In Paris the 12½ kilo bar was fixed at FFr 93,000 per kilo ($691.92 per ounce) compared with FFr 92,800 ($690.51) in the morning, and FFr 90,375 ($671.51) on Friday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 40,465 per kilo ($700.52 per ounce) against DM 39,000 ($676.03), and closed at $709-712 from $673-676 on Friday.

In Zurich gold finished at $708-711, compared with $674-677 previously.

	Sept. 22		Sept. 19	
Gold Bullion (fine ounce)				
Close	$710-713	(£295½-296¾)	$676-679	(£283¼-284½)
Opening	$701-704	(£292¾-294)	$672-675	(£281¾-283)
Morning fixing	$698.75	(£291.276)	$674.50	(£282.698)
Afternoon fixing	$710	(£296.204)	$674	(£282.540)
Gold Coins				
Krugerrand	$735-737	(£305½-307½)	$697-699	(£292-293½)
Mapleleaf	$750-755	(£303½-305½)	$691-694	(£290-298)
New Sovereigns	$180½-182	(£75-76)	$172-173	(£72-73)
King Sovs	$205-207	(£85¼-86¼)	$198-200	(£83-84)
Victoria Sovs	$205-207	(£85¼-82¼)	$198½-200½	(£83¼-84¼)
French 20s	$171½-174½		$166½-169½	
50 pesos Mexico	$879-882		$834-837	
100 Cor. Austria	$696-700		$660-665	
$20 Eagles	$802-806		$782-785	
$10 Eagles	—		—	
$5 Eagles	—		—	

LONDON MONEY RATES

Sept. 22 1980	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills Φ	Eligible Bank Bills Φ	Fine Trade Bills Φ
Overnight	—	16½-16½	—	—	—	16¼-16½	15-15¾	—	—	—
2 days notice	—	—	16¼-16⅜	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	16¼-18⅜	16⅜-16½	—	16¾	16¾	15½-15⅜	—	—	—
One month	16½-16⅜	16⅜-16½	16⅜-16½	17¼-17⅝	16¾	16¾-17	15½-16⅝	14¾	16¼-16⅞	17
Two months	16⅛-16	16⅛ 16¼	—	17-17¼	16⅛	—	14½-16	14½-14⅞	15¾	16⅜
Three months	15½-15⅜	15½-15½	15⅝	16¾-16⅛	15⅞	16-16¼	14⅞	14⅞-14⅞	15⅛	16
Six months	14¾-14⅞	14⅞-15	14⅝-14¾	14⅝-14⅞	15⅛	15	—	—	13½-13⅞	14½
Nine months	14⅛-15⅞	14⅛-14¼	—	14⅜-14⅜	14½	14⅝	—	—	—	—
One Year	13⅞-13⅛	13⅞-14	13⅛-13⅞	13⅛-14¼	14⅞	14⅛	—	—	—	—
Two years	—	—	13⅝-13¾	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 13½-13¾ per cent; four years 13½-13¾ per cent; five years 13½-13¾ per cent. ΦBank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 14¾ per cent; four-month trade bills 15¾ per cent.

Approximate selling rates for one-month Treasury bills 14⅞ per cent; two-months 14⅛-14⅞ per cent; three-months 14⅞-14¾ per cent. Approximate selling rate for one-month bank bills 16⅞ per cent; two-months 15⅞ per cent; three-months 15 per cent; one-month trade bills 16¾ per cent; two-months 16⅞ per cent; and three-months 15¾ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 16½ per cent from September 1, 1980. Clearing Bank Deposit Rates for sums at seven days' notice 14 per cent. Clearing Bank Rates for lending 16 per cent. Treasury Bills: Average tender rates of discount 14.1316 per cent.

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on September 22, 1980. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling/dollar rates; (S) member of the sterling area other than Scheduled Territories; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (k) Scheduled Territory; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Afghanistan	Afghani	105.0
Albania	Lek	10.18
Algeria	Dinar	9.1865
Andorra	French Franc / Spanish Peseta	10.08 / 176.70
Angola	Kwanza	70.3500
Antigua (S)	E. Caribbean $	6.48
Argentina	Ar. Peso Free Rate	4,616.0
Australia (S)	Australian $	2.0565
Austria	Schilling	30.675
Azores	Portug. Escudo	120.0
Bahamas (S)	Ba. Dollar	2.4035
Bahrain (S)	Dinar	0.904
Balearic Isles	Spa. Peseta	176.70
Bangladesh (S)	Taka	35.05
Barbados (S)	Barbados $	4.8070
Belgium	B. Franc	[illegible]
Belize	B $	4.8070
Benin	C.F.A. Franc	504.0
Bermuda (S)	Bda $	2.4035
Bhutan	Indian Rupee	18.49
Bolivia	Bolivian Peso	59.25
Botswana (S)	Pula	1.8510
Brazil	Cruzeiro	135.65
Brit. Virgin Isles (S)	U.S. $	2.4035
Brunei (S)	Brunei $	5.06
Bulgaria	Lev	2.0644
Burma	Kyat	16.12
Burundi	Burundi Franc	216.185
Cameroon Republic	C.F.A. Franc	504.0
Canada	Canadian $	2.8050
Canary Islands	Spanish Peseta	176.70
Cape Verde Isle	Cape V. Escudo	87.50
Cayman Islands (S)	Cay. Is. $	2.0030
Cent. Af. Repub.	C.F.A. Franc	504.0
Chad	C.F.A. Franc	504.0
Chile	C. Peso	(Bk) 93.40
China	Renminbi Yuan	3.5109
Colombia	C. Peso	(F) 115.70
Comoro Islands	C.F.A. Franc	504.0
Congo (Brazzaville)	C.F.A. Franc	504.0
Costa Rica	Colon	20.55
Cuba	Cuban Peso	1.6759
Cyprus (S)	Cyprus £	0.828
Czechoslovakia	Koruna	(com) 12.65 / (t) 21.51
Denmark	Danish Krone	13.43
Djibouti	Fr.	415 (sg)
Dominica (S)	E. Caribbean $	6.48
Dominican Repub.	Dominican Peso	2.4035
Ecuador	Sucre	(O) 60.81 / (F) 65.29
Egypt	Egyptian £	(U) 1.68
Equatorial Guinea	Ekpwele	175.70
Ethiopia	Ethiopian Birr	(P) 4.9050
Falkland Islands (S)	Falkland Is. £	1.0
Faroe Islands	Danish Krone	13.43
Fiji Islands	Fiji $	1.8195
Finland	Markka	8.765
France	French Franc	10.08
French C'ty in Af.	C.F.A. Franc	504.0
French Guiana	Local Franc	10.08
French Pacific Is.	C.F.P. Franc	175 (sg)
Gabon	C.F.A. Franc	504.0
Gambia (S)	Dalasi	4.0
Germany (East)	Ostmark	4.345
Germany (West)	Deutsche Mark	4.345
Ghana (S)	Cedi	6.59
Gibraltar (S)	Gibraltar £	1.0
Greece	Drachma	103.033
Greenland	Danish Kroner	13.43
Grenada (S)	E. Caribbean $	6.48
Guadaloupe	Local Franc	10.08
Guam	U.S. $	2.4035
Guatemala	Quetzal	2.4035
Guinea Republic	Syli	44.71
Guinea Bissau	Peso	78.70
Guyana (S)	Guyanese $	6.1290
Haiti	Gourd	12.06
Honduras Repub.	Lempira	4.81
Hong Kong (S)	H.K. $	11.945
Hungary	Forint	[illegible]
Iceland (S)	I. Krona	1,230.0 (sg)
India (S)	Ind. Rupee	18.49
Indonesia	Rupiah	1,498.10
Iran	Rial	n/a
Iraq	Iraqi Dinar	0.70475
Irish Republic (S)	Irish £	1.1520
Israel	Shekel	15.85
Italy	Lira	2,058.5
Ivory Coast	C.F.A. Franc	504.0
Jamaica (S)	Jamaica Dollar	4.2865
Japan	Yen	515.0
Jordan (S)	Jordan Dinar	0.694 (sg)
Kampuchea	Riel	2,894.2
Kenya (S)	Kenya Shilling	17.42
Kiribati	Australian $	2.0565
Korea (Nth)	Won	2.06
Korea (Sth)	Won	1,445.05
Kuwait	Kuwait Dinar	0.638
Laos	Kip Pot Pe	24.00
Lebanon	Lebanese £	8.2170
Lesotho	Loti	1.80325
Liberia	Liberian $	2.4035
Libya	Libyan Dinar	0.7116
Liechtenstein	Swiss Franc	3.985
Luxembourg	Lux Franc	69.70
Macao	Pataca	12.70
Madeira	Portug'se Escudo	120.0
Malagasy Republic	MG Franc	504.0
Malawi (S)	Kwacha	1.9085
Malaysia (S)	Ringgit	5.0875
Maldive Islands (S)	Mal Rupee	9.4300
Mali Republic	Mali Franc	1,008.0
Malta (S)	Maltese £	0.814
Martinique	Local Franc	10.08
Mauritania	Ouguiya	89.38
Mauritius (S)	M. Rupee	12.10
Mexico	Mexican Peso	55.05
Miquelon	C.F.A. Franc	504.0
Monaco	French Franc	10.08
Mongolia	Tugrik	[illegible]
Montserrat	E. Caribbean $	6.48
Morocco	Dirham	9.12 (sg)
Mozambique	Metical	68.00
Nauru	Australian Dollar	2.0565
Nepal	Nepalese Rupee	28.75
Netherlands	Guilder	4.72
Netherland Antilles	Antillian Guilder	4.3020
New Hebrides	See VANUATU	
New Zealand (S)	N. Z. Dollar	2.4470
Nicaragua	Cordoba	23.05
Niger Republic	C.F.A. Franc	504.0
Nigeria (S)	Naira	1.270645 (sg)
Norway	Norway Krone	11.69
Oman Sultanate of (S)	Rial Omani	0.827
Pakistan	Pakistan Rupee	23.55
Panama	Balboa	2.4035
Papua N.Guinea (S)	Kina	1.5550
Paraguay	Guarani	301.77
Peru	Sol	[illegible]
Philippines	Philippine Peso	17.70
Pitcairn Islands (S)	£ Sterling / New Zealand $	1.0 / 2.4470
Poland	Zloty	[illegible]
Portugal	Portugu'se Escudo	120.0
Puerto Rico	U.S. $	2.4035
Qatar (S)	Qatar Ryal	8.71
Reunion Ile de la	French Franc	10.08
Romania	Leu	[illegible]
Rwanda	Rwanda Franc	224.35
St. Christopher (S)	E. Caribbean $	6.48
St. Helena	St. Helena £	1.0
St. Lucia	E. Caribbean $	6.48
St. Pierre	Local Franc	10.08
St. Vincent (S)	E. Caribbean $	6.48
Salvador El	Colon	6.0
Samoa American	U.S. $	2.4035
San Marino	Italian Lira	2,058.5
Sao Tome & Principe	Dobra	81.95
Saudi Arabia	Ryal	7.94
Senegal	C.F.A. Franc	504.0
Seychelles	S. Rupee	14.90 (sg)
Sierra Leone (S)	Leone	2.4470
Singapore (S)	Singapore $	5.08
Solomon Islands (S)	Solomon Is. $	1.9434
Somali Republic	Somali Shilling	(A) 14.45
South Africa (S)	Rand	1.80925
South West African Territories (S)	S. A. Rand	1.80925
Spain	Peseta	176.70
Spanish ports in North Africa	Peseta	176.70
Sri Lanka (S)	S. L. Rupee	40.10
Sudan Republic	Sudan £ (A)	1.19
Sudan Republic	Sudan £ (P)	1.92
Surinam	S. Guilder	4.3030
Swaziland (S)	Lilangeni	1.80925
Sweden	S. Krona	10.01
Switzerland	Swiss Franc	3.985
Syria	Syrian £	(A) 9.4110
Taiwan	New Taiwan $	86.50
Tanzania (S)	Tan. Shilling	12.30
Thailand	Baht	48.70
Togo Republic	C.F.A. Franc	504.0
Tonga Islands (S)	Pa'anga	2.0565
Trinidad (S)	Trinidad & Tob. $	5.7825
Tunisia	Tunisian Dinar	[illegible]
Turkey	Turkish Lira	121.0
Turks & Caicos	U.S. $	2.4035
Tuvalu	Australian $	2.0565
Uganda (S)	Uganda Shilling	17.42
United States	U.S. Dollar	2.4035
Uruguay	Uruguay Peso	[illegible]
Utd. Arab Emirates	U.A.E. Dirham	8.82
U.S.S.R.	Rouble	1.5462
Upper Volta	C.F.A. Franc	504.0
Vanuatu	Franc / Aust. Dollar	155 (sg) / 2.0565
Vatican	Italian Lira	2,058.5
Venezuela	Bolivar	10.28
Vietnam	Dong	[illegible]
Virgin Islands U.S.	U.S. Dollar	2.4035
Western Samoa (S)	Samoan Tala	2.1080
Yemen (Nth)	Ryal	10.83 (sg)
Yemen (Sth)	S. Yemen Dinar	(A) 0.8210
Yugoslavia	New Y Dinar	62.0106
Zaire Republic	Zaire	6.897773
Zambia	Kwacha	1.855
Zimbabwe	Zimbabwe $	1.4985

* That part of the French community in Africa formerly French West Africa or French Equatorial Africa. † Rupees per pound. ‡ General rates of oil and iron exports. ** Rate is the transfer market (controlled). †† Rate is now based on 2 Barbados $ to the dollar. ‡‡ Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt, and who are not members of IMF. (‖) Based on gross rates against Russian rouble. (1) Official rates for government transactions and specified exports and imports. (2) Parallel rate for non-government transactions and non-specified exports and imports.

WORLD STOCK MARKETS

Wall St. moving up at 1 p.m.

PRICES RALLIED from earlier levels but at midsession were still broadly lower than Friday's close. Iran-Iraq fighting unsettled the market, as did fears the Federal Reserve might have to tighten credit to slow money growth, in view of the big rise in money stock reported on Friday.

The Dow Jones Industrial Average, after earlier shedding 5.12, at 1 pm was up 0.68 at 964.42, but declines were leading advances on volume of 35.38m shares (35.41m). The NYSE All Common Index advanced 1c on Friday's record, to $74.82.

The Middle East fighting sent gold bullion prices soaring and Precious Metal shares rose sharply. Copper issues tracked the move in Gold shares, aided by increased copper prices.

Asarco, which raised its price for copper to $1.04 a pound from 98c, rose $4½ to $52½ in active trading.

Bendix, studying the possibility of selling its 20 per cent stake in Asarco, jumped $4¾ to $56¼. It also agreed to sell most of its Forest Products operations for $135m.

General Mills raised its dividend, reported higher fiscal first-quarter net and projected record second-quarter results but added only ¼ at $28⅞.

Texaco added ⅞ at $34⅞ and Amerada Hess ¼ at $32⅞. They found additional zones of oil and gas in the Buttes Field, North Dakota, below zones that have been producing since 1952.

THE AMERICAN S.E. Market Value Index added 1.21 at 341.27.

Closing North American prices were not available for this edition.

Canada

Following international prices, Golds moved sharply higher and pulled the market up at midday. The Composite Index rose 10.4 to 2,311.6 and seven of 14 sub-indices advanced. Gains led losses 248 to 181.

Dome Mines advanced C$9 to C$151, Campbell Red Lake C$8 to C$94, Camflo Mines C$5½ to C$50 and Sigma Mines C$1½ to C$57. The Golds index advanced 426.4 to 6,371.5. Metals and Minerals were 37.9 up at 2,461.2.

Among advancing Integrated Mines, Falconbridge Nickel gained C$5 to C$135, Cominco C$2½ to C$74½, Noranda Mines ¾ to C$31 and Alcan Aluminium ½ to C$43½.

Nu-West Group "A" shed C$2½ to C$26 and Cadillac Fairview C$1 to C$29.

Closing prices for North America were not available for this edition.

Germany

Middle-East fighting boosted Gold prices but drained interest in equities, and the Commerzbank Index edged down 0.4 to 730.7.

Banks shed some of Friday's gains. Deutsche Bank was DM 2.50 off at DM 291.5 and Dresdner DM 2.30 off at DM 190.5.

Other sectors were narrowly mixed.

In Engineerings, GHH gained DM 2 against the trend, as Bayer added DM 0.60 in otherwise lower Chemicals and Preussag and Metallgesellschaft fell, off DM 2 and DM 4.50 respectively.

Stores were slightly down. Horten and Karstadt shed DM 0.50 each but Kaufhof put on DM2.

Public Authority loans lost up to DM 0.60 and the Bundesbank bought DM 26.6m of bonds. Mark Eurobonds were steady.

Paris

Stocks were generally sharply lower in heavy trading, as yesterday was settlement day ahead of the new monthly trading account period beginning today. As in other markets, Middle East tension boosted bullion and depressed prices.

All sectors weakened, though isolated Banks advanced.

With Cie Financiere de Suez down FFr 7 at FFr 301, Carrefour down FFr 30 at FFr 1,705, Lafarge down FFr 4.60 at FFr 296.80, and Cie Francaise des Petroles down FFr 4 at FFr 227.

Among foreign shares, Gold Mines were the most active, firming on average 4-5 per cent. U.S. stocks and Germans firmed and Oils and Coppers were mixed.

Switzerland

Prices closed steady in moderate volume, but special situation stocks Schindler and Maag rose sharply in Financials. Credit Suisse continued to edge slightly higher in otherwise barely steady Banks, while Insurances were hardly changed.

Amsterdam

Prices rallied from earlier lows but closed mainly easier.

Royal Dutch Shell and Unilever closed Fl 0.80 and Fl 0.70 higher, after opening losses of Fl 0.60 and Fl 0.10, respectively, on a firmer U.S. dollar rate.

Elsevier shed Fl 3 more to close Fl 6 lower at Fl 187, and VNU slipped Fl 1.30 in Publishers. ABN lost Fl 2 and NMB Fl 0.80 in easier Banks.

HBG rose Fl 1 in otherwise lower Constructions.

Tokyo

Prices edged up in moderate trading, led by energy-related issues. The Nikkei-Dow Index reached its highest this year, 7,046.51, up 4.85, on volume of 350m shares.

Oils, Coals and Non-ferrous Metals rose widely following reports that OPEC nations had reached a gentlemen's agreement to cut crude oil production by 10 per cent and Nippon Oil rose Y90 to Y1,450, Arabian Oil Y100 to Y2,780, Teikoku Oil Y40 to Y1,010, Sumitomo Coal Y16 to Y269 and Dowa Mining Y34 to Y454.

But profit-taking hit other leading stocks.

Sony eased Y50 to Y3,300, Matsushita Communication Y50 to Y2,020, Hitachi Y4 to Y326 and Fuji Photo Film Y15 to Y730.

Australia

The threat to oil supplies from Iraq-Iran fighting boosted buying of Golds. Among those to profit were Poseidon, up 64c to A$7, GMK, 60c higher at A$10.50, Peko-Wallsend, up 60c to A$11.60, and Emperor, 55c ahead at A$4.60. All these prices were the highest for the year.

Several other heavyweight Miners, however, failed to hold up in the absence of overseas cash.

Industrials were little changed in a typically quiet pre-election stance, with BHP managing only a 5c gain to A$15.85.

Hong Kong

Prices rose in hectic trade, and the Hang Seng Index closed 30.90 up at 1313.78, the highest since March 1973.

Buying demand was spurred by Saturday's decision by exchange banks not to follow U.S. banks in raising interest rates. The bullish outlook for the economy put forward in the Financial Secretary's half-year assessment and two encouraging land auction results also aided sentiment.

Among leaders, Cheung Kong rose 70c to HK$29, Hongkong Bank 10c to HK$18.30, Hong Kong Electric 10c to HK$7, Hong Kong Land 60c to HK$18.50, Hutchison Whampoa 30c to HK$13.80, Hongkong Wharf HK$5 to HK$98 and Jardine Matheson HK$1.70 to HK$27.80.

Turnover on the four exchanges also reached a seven-year high of HK$773.94m.

Singapore

Share prices continued rallying in an active trading session. Properties, Banks and Plantations joined Industrials in closing generally firmer.

Johannesburg

Gold shares closed sharply higher in heavy trading after the gold price increase, but overseas interest was light because of the higher financial Rand.

NEW YORK

Indices

NEW YORK ACTIVE STOCKS

CANADA

BELGIUM (continued)

HOLLAND

AUSTRALIA

JAPAN (continued)

DENMARK

FRANCE

ITALY

NORWAY

HONG KONG

SWEDEN

GERMANY

AUSTRIA

SPAIN

SWITZERLAND

BELGIUM/LUXEMBOURG

SINGAPORE

SOUTH AFRICA

BRAZIL

Financial Rand US$0.95½ (Discount of 28%)

COMMODITIES AND AGRICULTURE

Zinc price battle opens

By John Edwards, Commodities Editor

OPENING shots in a zinc price battle were fired yesterday. First A. M. and S. Europe, the only domestic British zinc smelter at Avonmouth, announced it had increased its European producer base price from $780 to $805 a tonne. Shortly afterwards, however, Cominco, the big Canadian producer, said it was raising its European producer quotation to $845 a tonne.

A rise in the cost of producer zinc, which accounts for the bulk of supplies to consumers, is not entirely unexpected following the recent increase in U.S. zinc prices and on the London Metal Exchange, which reflects movements in the "free" (non-producer controlled) market.

Yesterday the LME cash zinc price rose by £5 to close at £351 a tonne. The rise was mostly attributable to the upward trend in all metals but during the past month LME values have moved up by nearly £60 and at present are even above a producer price equivalent of $845.

The main question is whether the LME rise has been caused primarily by inspired speculative buying, as many dealers believe, or if it represents a genuine recovery in the fundamental supply-demand situation.

A slump in demand, after a buoyant first quarter, forced producers to cut prices from $825 to $780 in April and consumption has been hit badly in zinc's two main outlets—galvanised steel and diecasting. Recently, however, it has been argued that severe cutbacks in production have brought supply and demand back closer into balance.

A. M. and S. evidently decided to take a cautious line with a modest price rise below LME levels since demand in Europe is still fairly sluggish. But it is claimed that consumption in the U.S., which suffered a dramatic fall in the second quarter, is showing stronger signs of recovery and this has encouraged Cominco to take a holder line. Although other mine producers are known to be keen to raise prices substantially, to take advantage of the world shortage of zinc concentrates, a different view may emerge from smelters, not linked with mine producers.

A higher base price will mean they will have to pay more for their concentrates, but may find it difficult to pass on the higher price to consumers if demand remains sluggish.

Mid East conflict fuels metals surge

BY OUR COMMODITIES EDITOR

A DAMPENING influence in all the excitement on the London Metal Exchange yesterday were bigger than expected rises in warehouse stocks. LME copper holdings increased by 2,875 tonnes to a total of 122,775 tonnes. A big surprise was a rise in tin stocks, up by 370 tonnes to 4,715 tonnes, when a decline had been predicted last week. Another jump in lead stocks, up by 7,225 to 70,450 tonnes, also exceeded market expectations. As anticipated, aluminium stocks rose by 4,050 tonnes to 37,500 tonnes following a reported inflow of low-quality Egyptian supplies. Zinc stocks showed a modest rise of 250 to 61,625 tonnes and LME silver holdings increased by 290,000 to 26,350,000 ounces. Only nickel stocks fell, by 102 tonnes to 4,788 tonnes.

THE IRAN/IRAQ conflict, and the resultant surge in gold, brought a general rise on the London metal markets yesterday. Leading the field, after gold, were the other two precious metals, platinum and silver.

Free market platinum rose above $300 for the first time since July, gaining $9.55 to £300.85 a troy ounce. Silver was particularly strong. The London bullion spot quotation was raised by 78.1p to 956.7p a troy ounce at the morning fixing and the market moved further ahead in the afternoon. The LME cash price closed at 990p an ounce, 99p up on Friday's close.

Dealers claimed that at times it was silver that was fuelling the rise in gold. The price has now moved up by some 200p since the beginning of September, following the emergence of strong buying interest from many sources, including the Middle East.

Copper prices also rose firmly yesterday reacting to the unsettled situation in the Middle East and the surge in precious metals. Cash wirebars closed £36.75 higher at £898.75 a tonne, while the three months quotation broke through the £900 barrier again moving up by £38.25 to £927.25 in very active trading conditions.

Adding impetus to the rise in copper was news of a breakdown in talks aimed at settling the U.S. copper workers strike that started on July 1.

It appeared last week that Phelps Dodge and other producers were close to reaching a settlement with the workers, using the Kennecott agreement as a basic formula. But these "peace" talks have unexpectedly broken down and it appears the stoppage, with a substantial loss of production, could continue for some time yet. Meanwhile U.S. producers announced a series of domestic copper price increases ranging from between 4c to 6c a pound. Phelps Dodge raised its quotation from 98c to 102c but Asarco lifted its price by 6c to 104c.

Russia buys Brazilian coffee

By Our Commodities Staff

THE SOVIET UNION has bought coffee again on the international market after an absence of four years, according to Reuter reports from Moscow.

The agency said that Soyuzplodimport, the Soviet State trading organisation, and the Brazilian Coffee Institute concluded a deal last week in Rio de Janeiro for 2,750 tonnes of coffee worth $5.6m.

Moscow used to buy coffee regularly from Brazil, Colombia and other large producers for hard currency, but dropped out in 1976 when the price soared; instead it negotiated on a barter basis with Angola and Mozambique and with India for a long-term agreement. Recent two-year lows on the coffee market have probably tempted the Soviet Union back as a buyer.

In London the market was nervous, awaiting the outcome of the International Coffee Organisation discussions on possible export quotas. But in the afternoon prices firmed and November Robusta futures closed at £1,101.5 a tonne, a rise of £22.5.

The producing countries met yesterday afternoon to try to hammer out an agreement on quotas. The argument so far has centred on each of the exporting countries wanting to base its export quota on its good years, thus eliminating the benefit that quotas are supposed to bring to the market as a whole.

In Paris over the weekend Alexandre Beltrao, executive director of the ICO, said that the will existed for producers and consumers to reach agreement on quotas and prices this week. He confirmed that discussions last week had centred on quotas of a global export quota for producers of around 55m bags a year and a possible floor price to activate the quotas of 143 or 144 cents a pound.

Good rice crops pose export problems

BY RICHARD COWPER IN JAKARTA

GOOD or even record crops of rice in the U.S. and Asia this year will mean that some rice exporting countries could have difficulties finding a market for their rice.

Indonesia — the world's largest rice importer—is predicting a record crop of 19m tonnes and has already begun postponing shipments. Earlier in the year, Bustanil Arifin, the head of the country's rice agency, Bulog, predicted that Indonesia would import 2.7m tonnes this year, but now it looks as if Indonesia will import less than 2.5m tonnes.

With national stocks at an all-time high of 2.5m tonnes, Indonesia has already begun delaying contracted for shipments.

Thailand and Burma have now agreed to defer until next year a total of 173,000 tonnes and next month Bustanil Arifin flies to the Philippines to request the postponement until next year of a further 75,000 tonnes. Japan has also agreed to delay shipments to Indonesia of some 150,000 tonnes though it is not yet clear for how long.

One expert in the rice trade said that there was a lot of anxiety and concern among traditional rice exporters, although this might be mitigated to some extent by increased demand from drought-ridden East Africa. Korea too is now talking of importing lot tonnes of rice, around 250,000 tonnes, more than predicted earlier in the year.

They said that the world's top three rice exporters, China, the U.S. and Thailand are all recording good to record crop increases at a time when many top rice importers are also expecting good to record crops. Together the U.S., China and Thailand are likely to produce over 5m tonnes more rice this year than last, while Indonesia, by far and away the world's largest importer will itself produce an estimated extra 2m tonnes compared with last year.

The U.S. Department of Agriculture is forecasting a world increase of around 21m tonnes up to 394m tonnes this year from 373m tonnes in 1979/80. The result, to date, has been that export markets have been notably quiet, with many importers hanging fire until their own price requirements become clearer after what they expect to be extremely good domestic crops. Though it is too early to be absolutely certain a number of exporters could well find themselves with an embarrassing amount of unsold rice on their hands at the end of the financial year.

Manila copra earnings fall by 30 per cent

MANILA — Philippine earnings from coconut products, the main source of foreign exchange last year, are expected to fall by almost 30 per cent this year to $710m from just over $1bn in 1979, according to latest estimates of the United Coconut Association of the Philippines.

Based on actual export figures for the January to July period and projected estimates for August to December, the association's research unit put total export volume for 1980, in copra terms, at 1.59m tonnes, up 3.9 per cent on the 1979 total of 1.53m. But earnings will be lower, hit by declining prices and reduced consumption.

Reuter

Sugar shortfall forecast

BY OUR COMMODITIES STAFF

LONDON sugar dealer Woodhouse, Drake and Carey, in its first estimate of the 1980-81 world sugar production and consumption forecasts a world shortfall of 3.2m tonnes. Production is placed at 87.63m tonnes and consumption at 90.83m tonnes.

Woodhouse says the shortfall is based on current price levels and takes into account that world stocks have been reduced to critical levels. Most of the projected deficit could be attributed to the USSR, reflecting its reduced output forecast.

The Soviet Union is believed to have asked Brazil to provide a quotation for a sale of unspecified amount of sugar. The request was apparently made by Soviet foreign trade officials during a visit to Moscow last week by representatives of the Brazilian state trading organisation, Interbras.

Soviet officials have already confirmed that they are on the world market for sugar, apparently because of fears that this year's Russian beet harvest will be disappointing.

The official Soviet sugar production target for 1980 is 9.205m tonnes, but some western market specialists believe the total domestic output could be as low as 8.0m tonnes.

Last week world sugar prices moved higher in response to expectations that the USSR might seek more sugar on top of the 1.65m tonnes it was estimated to have bought recently.

In London sugar prices were steady but relatively quiet, with the daily price for raws marked £8 down at £364 in the morning. However, futures values closed higher, with the January position £1.25 up at £393.

The EEC Commission, meanwhile plans to seek support from member governments for the EEC to join the International Sugar Agreement. This confirmed a statement made by Mr. Doug Anthony, Australian Deputy Prime Minister following talks in Brussels last week when he said the Commission would raise the subject at next week's meeting of EEC agriculture ministers.

Malaysian futures opening date

By Wong Sulong in Kuala Lumpur

THE KUALA LUMPUR Commodities Exchange will begin commercial operations on October 23, with crude palm oil futures as the first commodity to be traded.

Mr. Poul Leong, the Minister of Primary Industries, who announced the date, said tin and rubber would be included in the trading at some future dates.

Trading in palm oil futures will be done by the open cry system, in contract lots of 25 tonnes.

The launching of the exchange is part of Malaysia's efforts to promote an international commodity trading centre in its capital since the country is the world's biggest producer of rubber, tin, palm oil, and a growing producer of cocoa.

Manx Herring catch down

ALTHOUGH THE north Irish Sea herring fishing season, which ended on Sunday, was not, as prophesied, a disaster for the fishermen, the shoal was smaller than usual. The Isle of Man Board of Agriculture and Fisheries, which controls the fisheries, awaits final figures of the total catch, but the allowed profit is not expected to be reached.

The Board said in Douglas yesterday that while catches in the last week of the season were heavy, many were landed at ports outside the island and it would be some time before final total catch figures would be available.

The Board was also awaiting reports from its marine biologist advisers on the shoal size and movement. Meanwhile the area was being patrolled by two Royal Navy fisheries protection gunboats and a helicopter to protect the herring during spawning.

Board chairman, Dr. Edgar Mann, said that while there had been pressure to extend the close season in the interests of stock conservation, this had not been seriously considered. The Board would continue to press for Manx exclusive fisheries waters to be extended to 12 miles.

Pepper nations seek deal

NEW DELHI — The International Pepper Community is to introduce price discipline to try to halt a decline in the world pepper price, the community decided at a conference in Cochin, South India.

At the end of a three-day meeting, it was announced price discipline measures would be worked out at the fourth technical meeting of international pepper experts to be held in Malaysia in December.

Ln. Saklani, director of the community, noted world pepper production last year was officially estimated at about *124,000 tonnes, with Malaysia* the largest producer, accounting for 37,000 tonnes. The price was 98 cents a pound two years ago, but had come down to between 74 and 80 cents.

Reuter

Rise in India's food crop expected

NEW DELHI — India's winter food crop is expected to be 80m to 80.5m tonnes against 62.8m last year and 78.7m tonnes in 1978/79, Rao Bireodra Singh, Agriculture Minister, has said.

Mr. Singh said the winter crop was in overall good shape in spite of poor rains in some areas in the latter part of the current monsoon season. Harvesting starts next month.

He said the winter crop would include a bumper rice harvest of 51.5m to 52m tonnes, according to preliminary tentative estimates, against 38.4m tonnes last year and a record 49.9m tonnes in 1978-79. The rest of the winter crop consists of sorghum and millet.

Speaking in Kottayam, South India, Minister of State for Agriculture R. V. Swaminathan said the total foodgrain production in the current agricultural year (July-June) would be over 130m tonnes. Earlier preliminary estimates by the agriculture ministry said total output in 1980/81 would be about 135m tonnes.

Production in 1979/80 fell to an estimated 115m tonnes because of drought against a record 131m tonnes the year before.

In Delhi, Mr. Singh said monsoon floods this year affected 9.4m hectares of land and damaged cropped areas totalling 4.16m hectares. Crops worth Rs 952m were lost, according to estimates by state governments.

Reuter

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Surged ahead on the London Metal Exchange following the increasing conflict in the Middle East. After opening at £904 forward metal moved ahead to £910 before easing back to £906.5 on the kerb. Thereafter the price advanced strongly in the wake of gold and the worsening of the Iran-Iraq crisis. Three months touched the day's high of £932 at the start of afternoon kerb trading but eased marginally to close at £929. Turnover 25,625 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	888-.5	+35	898-9.5	+36.7
3 months	910-1	+34.5	927-7.5	+38.2
Settlem't	888.5	+35	—	.....
Cathodes				
Cash	854-5	+35.5	873-5	+40.5
3 months	888-.5	+31	902-.5	+40.2
Settlem't	855	+36	—	.....
U.S. Prod	—	.....	*86.7-103	.....

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £883, three months £906, 07, 06.5, 07, 08, 09, 10, 08.5, 10, 11. Cathodes: Cash £856, three months untraded. Kerbs: Wirebars three months £910.5, 11, 12, 13, 14, 14.5. Cathodes untraded. Afternoon: Wirebars: Cash untraded, three months £921, 20, 18, 20, 19.5, 20, 19, 18, 28, 27, 28, 26.5, 27, 27.5, 28, 27.5. Cathodes: Cash untraded, three months £901. Kerbs: Wirebars three months £929, 30, 31, 30, 29, 28, 29. Cathodes: Untraded.

TIN—Firmer, reflecting the sharp gains in other metals. Forward metal opened at £7,365 and held steady in that level until news of the unexpected stocks increase. This prompted a flurry of selling and depressed forward metal to £7,330 in the rings. However, in the afternoon the surge in copper encouraged renewed interest in tin and forward metal moved ahead to £7,380 before closing on the late kerb at £7,355. Turnover 780 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	7240-5	+10	7275-85	+15
3 months	7330-5	+30	7365-70	+32.5
Settlem't	7245	+10	—	.....
Standard				
Cash	7240-5	+10	7275-85	+15
3 months	7330-5	+30	7365-70	+32.5
Settlem't	7245	+10	—	.....
Straits E.	$2188	+5	—	.....
New York	—	.....	—	.....

Morning: Standard: Cash £7,255, 50, 45, three months £7,350, 30, 40, 30. High Grade: All untraded. Kerbs: Standard: Untraded. High Grade: Untraded. Afternoon: Standard: Cash £7,280, three months £7,345, 50, 60, 70, 60, 65. High Grade: Untraded. Kerbs: Standard: Three months £7,365. High Grade: Untraded.

LEAD—Barely changed following the larger than forecast stocks increase which inhibited trade, demand. Forward metal opened higher at £405.5 but came under pressure triggered by the stocks news and fell back to £399. In the afternoon the price moved narrowly between £404 and £400 before ending on the late kerb at the latter. Turnover 8,475 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	383-.5	+3	385-7	—.5
3 months	399.5-.75	+2.87	403-3.5	+1
Settlem't	383.5	+3	—	.....
U.S. Spot	—	.....	*48.44	.....

Morning: Cash £384, 83, three months £399, 400, 01, 400, 399.5. Kerbs: Three months £400, 399.5, 400. Afternoon: Cash £nitraded, three months £403, 3.5, 4, 3, 2.5, 3. Kerbs: Three months £403.5, 03, 02, 01, and 400.

ZINC—Marginally higher. Forward metal opened at £363 and thereafter held in a narrow range to close during the late kerb at £362. Turnover 6,125 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	348-.5	+4.5	350-.2	+5
3 months	360-.1	+5	361-.2	+4.75
S'ment	350	+5	—	.....
Primw'ts	—	.....	*37.5-37.75	.....

Morning: Cash untraded, three months £363, 64, 63.5, 63, 62.5, 63, 62, 61. Kerbs: Three months £361. Afternoon: Cash untraded, three months £363, 64, 63.5, 63, 62, 61. Kerbs: Untraded.

ALUMINIUM—Slightly firmer for three months although cash metal lost ground following the substantial stocks rise. Forward metal opened at £706 and fell away to £697 during the morning before recovering strongly, in the wake of copper, to close the late kerb at £705. Turnover 8,475 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Spot	678.5-80.5	-1.5	676-8	-8
3 months	696-7	+7	704-4.5	+6.75

Morning: Cash untraded, three months £702, 01, 700, 699, 98, 97, 96. Kerbs: Three months £697, 98. Afternoon: Cash untraded, three months £696, 99, 700, 01, 02, 01.5, 01, 700.5, 01, 02, 03, 04, 04.5, 04, 04.5. Kerbs: Three months £704, 05, 05.5.

NICKEL—Gained ground, particularly in the afternoon when a flurry of fresh buying and short-covering, prompted by the Iran-Iraq conflict lifted three months from £2,820 to the day's high of £2,880 before a close on the late kerb of £2,870. Turnover 288 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —
Spot	2735-85	+35	2840-50	+70
3 months	2815-25	+12.5	2870-80	+62.5

Morning: All untraded. Kerbs: Untraded. Afternoon: Cash £2,800, three months £2,820, 25, 40, 60, 70, 80. Kerbs: Three months £2,880, 70, 65, 70.

* Cents per pound. ‡ SM per picul. † On previous unofficial close.

SILVER

Silver was fixed 78.1p an ounce higher for spot delivery in the London bullion market yesterday at 956.7p. U.S. cent equivalents of the fixing levels were: spot $22.92, up $1.97; three-month $23.584, up $1.976; six-month $24.417, up $2.129; and 12-month $26.15, up $2.26. The metal opened at 931p-949p ($22.30-22.80) and closed at 990p-1,003p ($23.80-24.10), its best level since March this year.

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	956.70p	+78.1	990p	+99.0
3 months	982.70p	+78.6	1026.5p	+101.
6 months	1030.70p	+87.1	—	......
12months	1100.0p	+84.4	—	......

LME—Turnover 257 (198) lots of 10,000 ozs. Morning: Three months 980, 82, 84, 85, 84, 82, 84, 85, 86, 88, 87, 86.5. Kerbs: Three months 989, 89. Afternoon: Cash 975, three months 1,012, 15, 14, 10, 17, 12, 11, 35, 32, 31, 30, 28, 25. Kerbs: Three months 1,037, 36, 38, 40, 41, 37, 35, 38, 35, 40.

COCOA

Political uncertainty in the Middle East caused renewed commission house support for cocoa in line with other commodities. Prices closed with gains of £20 having absorbed producer and trade scale-up selling, reports Gill and Duffus.

COCOA	Yesterd'ys Close	+ or —	Business Done
Sep	1018-22	+25.5	1083-02
Dec	1040-41	+20.0	1043-22
March	1072-73	+16.5	1078-38
May	1088-90	+15.0	1096-77
July	1108-10	+17.0	1110-097
Sept	1125-30	+18.0	1130-18
Dec	1141-50	+11.0	1133

Sales: 2,632 (1,662) lots of 10 tonnes.

COFFEE

Prompted by a weak New York close coffee futures established new contract lows during a quiet opening session, reports Drexel Burnham Lambert. There was no fresh fundamental of physical news and trading was generally well matched in a narrow trading ranges. However, the lower levels attracted dealer profit-taking and this combined with short covering operations lifted prices by some £30-£40 during an active late session.

COFFEE	yesterday's Close	+ or —	Business Done
	£ per tonne		
Sept	1040-45	+25.0	1043-05
Nov	1101-02	+22.5	1108-1052
January	1124-25	+26.0	1125-1077
March	1121-23	+23.6	1125-1003
May	1131-35	+16.0	1135-1092
July	1140-50	+14.3	1130-88
Sept	1135-50	—	1133

Sales: 3,812 (3,184) lots of 5 tonnes.

ICO Indicator prices for Sept. 19: (U.S. cents per pound). Other Mild Arabicas 124.00 (125.00). Robustas ICA 1976 125.00 (125.50). ICA 1968 125.25 (125.75). Unwashed Arabicas 211.00 (same). Comb. daily ICA 1968 166.42 (166.75).

GRAINS

LONDON GRAIN FUTURES—The market opened 10p higher on shipper short-covering and continued to climb in the first half of the morning session but hedge selling then appeared to close lower at lunch. After lunch the hedge pressure continued and there was also long liquidation to close with prices 25p-45p down on the day, reports Acli.

WHEAT			BARLEY	
M'nth	Yesterday close	+ or —	Yesterday close	+ or —
Sept	96.00	—0.45	90.85	—0.25
Nov	98.80	—0.55	93.15	—0.40
Jan	103.10	—0.40	97.40	—0.40
Mar	106.80	—0.40	101.00	—0.30
May	110.35	—0.35	105.55	—0.45
July	115.05	—0.35	—	—

Business done—Wheat: Sept. 96.85-96.00, Nov. 99.50-98.80, Jan. 103.70-103.10, Mar. 107.35-106.80, May 110.05-110.40, July 114.70-114.05. Sales 187 lots of 100 tonnes. Barley: Sept. 91.15-90.75, Nov. 93.85-93.15, Jan. 98.05-97.40, Mar. 101.55-101.00, May 104.75-104.70. Sales 323 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No 2 14 per cent Oct. 100.50, Nov. 101.60, Dec. 104.50 transhipment East Coast. U.S. Hard Winter 13½ per cent Oct. 98.75, Nov. 100.50, Dec. 102.20 transhipment East Coast. Maize: U.S./French: Sept. 122, Oct. 120.50 transhipment East Coast. S. African Yellow Sept.-Oct. 90. Barley: English Feed fob Oct. 96, Nov. 98, Dec. 100, Jan.-March 104.50 East Coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: Eastern 86.90, E. Midlands 85.60, N. East 86.00, Scotland 83.20. Other milling wheat: Eastern 98.00.

COTTON

LIVERPOOL—No spot or shipment sales were recorded, for the third trading day in succession. Very little interest was displayed in securing additional supplies. Minor demand centred on African and South American growths but the offtake was virtually non existent.

RUBBER

The London physical market opened about unchanged, with good interest throughout the day, closing on a steady note. Lewis and Peat reported a fob October price for No. 1 RSS in Kuala Lumpur of 304.5 (303.5) cents a kilo and SMR 20 at 264 (same).

Sales: 476 (766) at 15 tonnes; 15 (17) at 5 tonnes.

No. 1 R.S.S.	Yest'day Close	Previous Close	Business Done
Oct	63.60-65.20	61.80-61.90	65.90-63.00
Nov	64.66-64.00	62.70-62.80	
Oct-Dec	64.60-64.60	62.50-62.90	65.00-63.40
Jan-Mar	68.80-66.60	66.60-67.00	66.00-67.00
Apr-Jne	72.20-72.50	70.20-76.50	72.40-70.40
Jly-Sept	75.20-75.40	76.40-75.50	76.40-74.20
Oct-Dec	77.80-77.90	76.00-76.10	77.90-77.70
Jan-Mar	80.50-80.80	70.70-70.80	80.60-79.70
Apl-Jne	83.10-83.20	81.20-81.40	—

Physical closing prices (buyer) were: Spot 62.50p (60.00p); Oct. 64.50p (63.25p); Nov. 62.50p (64.25p).

SOYABEAN MEAL

The London market opened with gains of £2.00 in active trading and made further advances over concern of further deterioration of U.S. crop prospects, reports T. G. Roddick. Prices failed to hold as the market ran into heavy profit-taking and trade hedge selling, closing at opening levels.

	Yest'rday Close	+ or —	Business Done
	£ per tonne		
October	127.70-28.0	+1.05	128.70-127.70
December	134.70-35.0	+1.6	136.40-135.50
February	137.90-38.1	+1.9	150.50-137.70
April	138.90-36.1	+1.0	140.20-136.00
June	139.00-40.0	+2.0	—
August	130.00-42.0	+2.0	—
October	139.00-43.0	+1.5	—

Sales: 412 (295) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE (raw sugar): £364.00 (£372.00) a tonne cif for Sept.-Oct.-Nov. shipments. White sugar daily price was £378.00 (£380.00).

The market was contained within a £5 range during the day in good two-way trading conditions, reports C. Czarnikow.

No. 4 Con-tract	Yest'rdays Close	Previous Close	Business Done
	£ per tonne		
Oct	375.25-74.00	368.25-70.00	375.25-65.50
Jan	392.00-64.00	361.50-82.00	368.00-94.65
Mch	405.50-06.75	408.30-06.00	314.00-04.56
May	406.00-08.50	404.25-04.50	310.75-05.50
Aug	691.00-92.00	585.08-85.68	386.50-86.00
Oct	371.80-72.00	365.50-66.75	372.00-65.00
Jan	640.00-44.00	330.25-50.50	—

Sales: 9,084 (12,384) lots of 50 tonnes.

NUMBER 2 CONTRACT—Close (in order buyer, seller, business, sales). Oct. 371.00, 373.00, 377.00-372.00. Sales 181 (123).

Tate and Lyle ex-refinery price for granulated basis white sugars was £342.6 (same) a tonne for home trade and £455.00 (£466.00) for export.

International Sugar Agreement (U.S. cents per pound fob and stowed Caribbean port). Prices for Sept. 19. Daily price 36.90 (37.16). 15-day average 33.71 (33.33).

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order buyer, seller, business, sales). Australian cents per pound. Oct. 475.0, 476.0, 475.0-469.0, 169; Dec. 484.0, 485.0, 485.6-481.5, 328; Mar. 495.0, 499.9, 500.0-495.0, 342; May 506.0, 507.0, 507.0-502.0, 448; July 510.0, 511.0, 512.0-507.0, 233; Oct. 506.0, 506.0, 508.5-502.0, 51; Dec. 508.5, 509.0, 508.5-504.5, 28; Mar. 508.0, 510.0, 510.0-505.0, 7. Sales 1,606.

BRADFORD WOOL—Prices were firmer, helped by an improvement in business. Wool's steady advance during the last week laid a solid foundation and further rises on the Sydney futures market today helped.

LONDON NEW ZEALAND CROSSBREDS—Close (in order buyer, seller, business, sales). Per kilo. Oct. 360, 364, 364, 1; Dec. 370, 372, 370, 1; Jan. 371, 373, 371, 2; March 372, 374, 372, 1; May 373, 376, nil; Aug. 378, 380, 377, 1; Oct. 378, 380, nil, nil; Dec. 380, 384, nil, nil; Jan. 380, 385, nil, nil; March 382, 387, nil, nil. Sales 5.

PRICE CHANGES

In tonnes unless otherwise stated.

	Sept. 22 1980	+ or —	Month ago
Metals			
Aluminium	£810/815	....	£810/816
Free Mkt	$1650/1660	....	$1660/16
Copper			
Cash w'bar	£898.75	+36.75	£831
3 mths	£927.25	+38.25	£867.75
Cash Cathode	£874	+40.5	£824
3 mths	£902.5	+40.25	£844.3
Gold troy oz	$711.5	+34	$631.5
Lead Cash	£386	—0.5	£362.3
3 mths	£403.25	+1	£373.75
Nickel	£3,203.00	....	£3,106.43
Freemkt (cif) (lb)	290/315c	....	290/316c
Platin'mtr'y oz	£202	....	£182.50
Free mkt	£300.85	+9.55	£274.4
Quicksilvert	$410/420	....	$410/420
Silver troy oz	956.70p	+78.10	678.45p
3 mths	982.70p	+78.6	705.50p
Tin Cash	£7,280	+13	£7,102
3 mths	£7,367.5	+32.5	£7,115.5
Tungsten 22.04lb	$143.76	....	$144.74
Wolfrm 22.04 lbs	$151/154	....	$149/153
Zinc cash	£351	+5	£327.23
3 months	£361.3	+4.75	£338.76
Producers	$780	....	$780
Oils			
Coconut (Phil.)	$600x	....	$515
Groundnut	‡	....	‡
Linseed Crude	£390	+6	£397
Palm Malayan	525r	+3	$585
Seeds			
Copra Philip	$393r	....	$480
Soyabean (U.S.)	$350t	+4	$388
Grains			
Barley Futures	£93.13	—0.40	£93.25
Maize			
French No3AM	£132	—0.3	‡
Wheat			
No.1 Red Spg.	‡	....	‡
No2HardWint	£93.75t	+1	£93.73
Eng. Millingt	‡	....	‡
Other commodities			
Cocoa ship't	£1,105	+25	£1,037
Future Dec.	£1040.5	+20	£995.6
CoffeeF't Nov.	£1,001.5	+22.5	£1,133
Cotton A Index	99.90c	....	93.30c
Rubber (kilo)	62.50p	+2.3	68p
Sugar (Raw)	£364	—8	£304
Wooltps 64s kL	201p kilo	....	280p kilo

‡ Unquoted. t Oct. u Sept.-Oct. v Nov. z Indicator. § Buyer. † Per 76-lb flask. * Nominal.

POTATOES

LONDON POTATO FUTURES—Strong trade buying moved values sharply higher in an active market, reports Coley and Harper. Closing prices: Nov. 43.70 +130 (high 44.00, low 43.50). Feb. 51.70 +150 (high 52.50, low 51.90). April 60.00 +2.70 (high 60.50, low 58.00). Turnover: 140 (113) lots of 40 tonnes.

TEA AUCTION

LONDON TEA AUCTION — 49,966 packages were on offer at yesterday's auction. Bright second flush assams again sold well and sometimes advanced but others continued irregular. Selected best East African CTC's stayed firm but the majority were 2p-3p lower, with dusts a weak feature. Malawi CTC's also shed several pence while there were many withdrawals in the Mozambique section. There was fair general demand for Ceylons but prices closed 2p-4p down. Quotations: Quality 140p per kilo (140p): Medium 98p (100p): Plain 56p per kilo (58p).

★

GRIMSBY FISH—Supply medium, demand good. Prices at ship's side (unprocessed) per stone: Shell cod £6.50-£7.80, codlings £3.50-£4.80; large haddock £5.10, medium £3.20-£4.40, small £1.20-£2.40: medium plaice £5.40-£5.90, best small £3.20-£4.00; large skinned dogfish £10.00-£11.00, medium £7.80-£8.50; large lemon soles £11.50, medium £10.50; saithe £2.80-3.30.

MEAT/VEGETABLES

MEAT COMMISSION—Average fatstock prices at representative markets on September 22. GB—Cattle, 69.14p per kg lw (−1.89). UK—Sheep, 112.25p per kg est dcw (−2.17). GB—Pigs, 66.41p per kg lw (−0.36).

SMITHFIELD—pence per pound. Beef: Scotch killed sides 60.0 to 64.5; Eire hindquarters 71.0 to 75.0, forequarters 42.0 to 44.0. Veal: Dutch hinds and ends 102.0 to 106.0. Lamb: English small 52.4 to 59.2, medium 50.5 to 55.0, heavy 48.2 to 53.4; Scotch medium 48.0 to 55.0, heavy 44.0 to 50.0: Imported frozen—NZ pl 56.0 to 57.0, pm 48.5 to 50.8. Pork: English 100 lbs 40.0 to 49.0, 100-120 lbs 38.0 to 47.0, 120-160 lbs 37.0 to 44.5.

COVENT GARDEN—Prices in sterling per package except where otherwise stated: Imported produce: Oranges—S. African: Box 72 5.30-5.85, Brazilian: 4.40. Lemons—Italian: 100/150 5.00: Spania: Trays 25/45 2.40-2.80, Boxes 5.50-8.00.

English Produce: Potatoes—Per bag, new 1.20-1.80. Mushrooms—Per pound 0.40-0.60. Apples—Per pound Howgate 0.06-0.07, Derby 0.06-0.07, Laxton 0.12, Tydeman's Early Worcester 0.05-0.12, Bramleys 0.08-0.10, Worcester Pearmain 0.06-0.12, Cox's Orange Pippin 0.10-0.22. Pears—Per pound Williams 0.10, Conference 0.05-0.12, Bristol Cross 0.09. Plums—Per 12-lb Damsons 1.80-2.00, Marjorie Seedlings 2.00-2.40, Laxton Cropper 1.20-1.40. Strawberries—Per ½-lb 0.25-0.30. Cabbages—Per bag 1.40, White cabbage 2.00-2.50. Cauliflowers—Per 12 2.00-3.00. Beetroots—Per bag 1.00. Cucumbers—Trays 10/20 1.70-2.60. Tomatoes—Per 12-lb 2.20-2.40. Lettuce—Per 12 round 1.20, Cos 1.20, Webbs 1.20. Sprouts—Per pound 0.10. Corn Cobs—Each [illegible]. Carrots—New crop 28-lb 0.90-[illegible]. Onions—Per bag 1.50-2.00. Pickling 2.80. Celery—Per pack 20/30 2.40-2.50, naked 12s 1.00. Capsicums—Per pound 0.25. Runner Beans—Per pound 0.16-0.20. Swedes—Per 28-lb Devon 0.70-0.60. Courgettes—Per pound 0.15. Cob Nuts—Per pound 0.30-0.35.

I.G. Index Three month Gold 736.2-746.2

Our clients speculate, free of tax, in very small to very large amounts, on:

1. London Traded commodities, including GOLD.
2. The STERLING/DOLLAR exchange rate.

I.G. Index Limited, 73, The Chase, SW4 0NP. Tel.: 01-622 9192

CORAL INDEX: Close 486-491 (−7)

BASE LENDING RATES

A.B.N. Bank	16 %	■ Hambros Bank	16 %
Allied Irish Bank	16 %	■ Hill Samuel	§16 %
American Express Bk.	16 %	C. Hoare & Co.	†16 %
Amro Bank	16 %	Hongkong & Shanghai	16 %
Henry Ansbacher	16 %	Industrial Bk. of Scot.	16½%
A P Bank Ltd.	16 %	Keyser Ullmann	16 %
■ Arbuthnot Latham	16 %	Knowsley & Co. Ltd.	18 %
Associates Cap. Corp.	16 %	Langris Trust Ltd.	16 %
Banco de Bilbao	16 %	Lloyds Bank	16 %
Bank of Credit & Cmce.	16 %	Edward Manson & Co.	17 %
Bank of Cyprus	16 %	Midland Bank	16 %
Bank of N.S.W.	16 %	■ Samuel Montagu	16 %
Banque Belge Ltd.	16 %	■ Morgan Grenfell	16 %
Banque du Rhone et de la Tamise S.A.	16½%	National Westminster	16 %
Barclays Bank	16 %	Norwich General Trust	16 %
Bremar Holdings Ltd.	17 %	P. S. Refson & Co.	16 %
Brit. Bank of Mid. East	16 %	Rossminster	16 %
■ Brown Shipley	16 %	Ryl. Bk. Canada (Ldn.)	16 %
Canada Perm't Trust	17 %	Schlesinger Limited	16 %
Cayzer Ltd.	16 %	E. S. Schwab	16 %
Cedar Holdings	17 %	Security Trust Co. Ltd.	17 %
■ Charterhouse Japhet	16 %	Standard Chartered	16 %
Choulartons	16 %	Trade Dev. Bank	16 %
C. E. Coates	16 %	Trustee Savings Bank	16 %
Consolidated Credits	16 %	Twentieth Century Bk.	16 %
Co-operative Bank	*16 %	United Bank of Kuwait	16 %
Corinthian Secs.	16 %	Whiteaway Laidlaw	16½%
The Cyprus Popular Bk.	16 %	Williams & Glyn's	16 %
Duncan Lawrie	16 %	Wintrust Secs. Ltd.	16 %
Eagil Trust	16 %	Yorkshire Bank	16 %
E. T. Trust Limited	16 %	■ Members of the Accepting Houses Committee.	
First Nat. Fin. Corp.	19 %	* 7-day deposits 14%. 1-month deposits 14¼%.	
First Nat. Secs. Ltd.	19 %	† 7-day deposits on sums of £10,000 and under 14%, up to £50,000 14¼% and over £50,000 15%.	
Robert Fraser	16 %		
■ Antony Gibbs	16 %	‡ Call deposits over £1,000 14%.	
Greyhound Guaranty	16 %	§ Demand deposits 14¼%.	
Grindlays Bank	‡16 %		
■ Guinness Mahon	16 %		

AMERICAN MARKETS

NEW YORK, September 22

THE LIVESTOCK complex eroded just ahead of the government pig crop report. Precious metals were sharply higher on reports of an informal OPEC agreement to cut production by 10 per cent and on the Iran-Iraq conflict. Grains were mixed while soyabeans sold off on profittaking at the close. Copper was limit up with higher precious metals and on the breakdown in strike talks. Sugar lost most of its gains on commission house selling. Coffee advanced sharply on indications that selling quotas might be reduced and on reports of Soviet interest. Cocoa moved slightly higher on light demand and light selling. Cotton sold off sharply on trade hedging and local selling, reported Heinold.

Copper—Sep. 99.25-99.50 (94.20), 99.60 (94.60), Oct. 99.60 (94.60), Nov. 100.55, Dec 101.40, Jan. 102.25, March 103.90, May 105.40, July 106.90, Sept. 108.40, Dec. 110.80, Jan. 111.55, March 113.15, May 114.75, July 116.35. Sales: 10,600.

Potatoes (round whites)—Nov. 96.5 (93.5), March 137.0-137.5 (133.5), April 158.8-159.4. Sales: 3,727. (137.34), Jan. 39.30-39.60 (39.30-29.35) March 40.60-40.70, May 40.30-40.50, July 39.70-39.80, Sept. 38.30-38.50, Oct. 37.40-37.50, Jan. 34.30.

Tin—815.0-825.0 (810.0-814.0).

CHICAGO, September 22

Lard—Chicago loose 22.75 (same). New York prime steam unavailable.

Live Cattle—Oct. 68.20-68.15 (68.52), Dec. 70.70-70.25 (70.32), Jan. 71.60, Feb. 71.84-71.87, April 73.82-73.75, June 74.82-74.87, Aug. 74.15, Oct —, Dec. 74.50.

Live Hogs—Oct. 47.70-47.80 (48.67), Dec. 51.05-51.20 (51.82), Feb. 54.35-54.20, April 53.50-53.40, June 58.45-56.30, July 57.40-57.30, Aug. 56.75, Oct. 55.40, Dec. 58.00.

‡‡Maize—Dec 365¾-366 (357¼), Mar 367¾-367 (368¾), May 372-372¼, July 370¾, Sept 361-360½, Dec 351½.

Pork Bellies — Feb 70.15-70.50 (71.37), Mar 69.85-70.20 (71.07), May 71.20-71.45, July 71.85, Aug 70.60.

Silver—Sept 2080.2 (2192.5), Oct 2264.5 (2184.5), Nov —, Dec. 2317.0, Feb. 2370.5, Apr. 2421.5, June 2474.5, Aug. 2529.5, Oct 2582.5, Dec. 2635.5, Feb 2689.5, Apr 2742.5, June 2797.5, Aug. 2851.5, Oct 2905.5, Nov. —, Apr. —.

†Soyabeans—Nov 865-862 (871), Jan. 885-884 (892), Mar 905-904, May 911-910, July 912, Aug. 902, Sept. 862, Nov. 831-830½.

‡Soyabean Meal — Oct. 250.5-250.6 (251.2), Dec 256.2-256.7 (256.7), Jan. 259.2-259.0, Mar 263.0, May 262.5, July 261.0, Aug. 254.0-255.0, Sept. 244.5-245.0, Oct 230.0-232.0, Dec. —.

Soyabean Oil — Oct 27.25-27.75 (27.80), Dec. 27.90-27.80 (28.52), Jan. 28.20-28.00, Mar 28.60-28.55, May 28.85-28.80, July 29.10, Aug 29.05, Sept 28.70-28.75, Oct. 28.20-28.40, Dec. —.

†Wheat—Dec. 504-505 (508½), Mar 523½-524 (524½), May 531-530, July 525-524, Sept. 532½, Dec 542.

WINNIPEG, Sept 22 §Barley—Oct 139.00 (139.00), Dec 141.60 (141.00), Mar 143.00, May 142.00, July 142.40.

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ‡ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. || $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq. feet. ‡ Cents per dozen.

EUROPEAN MARKETS

ROTTERDAM, September 22.

Wheat—U.S. No. 2 Dark Hard Winter 13.5 per cent, Oct. $214.50, Nov. $219, Dec. $222.50, Jan. $228, Feb $232, March $235. U.S. No. 2 Red Winter Oct. $209, Nov. $213. U.S. No. 2 Northern Spring 14 per cent, Sept. $215.50, Oct. $217½, Nov. $219, Dec. $226, Jan. $245, Feb. $247, March $250.

Maize—Sept. $161.75, traded all $162.75, Sept. $161.75, Oct. $163, Nov. $166, Dec. $170, Jan.-March $176.50, April-June $178.50, July-Sept. $176.50, Oct.-Dec $175 sirs.

Soyabeans—U.S. Two Yellow Gulfports Sept.-Oct. $340.45, Oct. $344, Nov. $346.75, Dec. $354.50, Jan. $360.25, Feb. $366 buyers. Argentine Sept. $336.50, mid Sept.-Oct. $332.50, Oct. $339.75 sellers.

Soyameal—44 per cent protein U.S. afloat $295, Sept. $303, Oct $304, Nov. $307, Nov.-March $312. Brazil Pellets afloat $298.50, Sept. $302, Oct $314, Nov. $324, Nov.-March $328.

PARIS, September 22

Cocoa (FFr per 100 kilos)—Sept. 910/1000, Dec 1008/1015, March 1040, 1057, May 1050/1065, July 1052, Sep. 1065. Sales at call 4.

Sugar (FFr per 100 kilos)—Nov. 3800, Dec. 3840/3870, March 4021/4025, May 4020/4030, July 3870/3950, Aug. 3970/3990, Oct. 3790/3810, Nov. unquoted. Sales at call 2.

INDICES

FINANCIAL TIMES

Sept. 19	Sept. 18	Mnth ago	Year ago
279.12	278.73	272.67	292.73

(Base: July 1, 1952=100)

MOODY'S

Sept. 19	Sept. 18	M'nth ago	Year ago
1320.5	1304.0	1237.6	1142.2

(December 31, 1931=100)

DOW JONES

Dow Jones	Sept. 19	Sept. 18	Month ago	Year ago
Spot	463.81	461.79	456.10	405.16
F'ture	478.57	475.97	457.97	414.87

(Average 1924-25-26=100)

REUTERS

Sept. 22	Sept. 19	M'nth ago	Year ago
1769.1	1761.4	—	1624.3

Base: September 18, 1931=100

LONDON STOCK EXCHANGE

Unprecedented rises in Golds take index up 54 points to all-time peak—Equities and Gilts weaken further

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Sept. 15	Sept. 25	Sept. 26	Oct. 6
Sept. 29	Oct. 9	Oct. 10	Oct. 20
Oct. 13	Oct. 23	Oct. 24	Nov. 3

* "New time" dealings may take place from 9 am two business days earlier.

Leading equities continued to fall yesterday and Government securities also weakened, but the exceedingly drab scene in London stock markets was coloured by a new upsurge in South African Gold shares. The last-mentioned recorded fresh gains ranging to 9 points among heavier-priced issues following news of the escalating conflict between OPEC member states Iraq and Iran. The reports put the price of gold up sharply again and also encouraged firmness in oil shares. As a result, the FT Gold Mines index staged its biggest advance in a single day to close 54.1 higher at a best-ever 558.9.

The CBI's depressing view of manufacturing industry's prospects coupled with the Trade Secretary's warning of a possible rise in taxation and his ruling out of any cut in Minimum Lending Rate simply on political grounds, further unsettled equity markets. These were already weak on the UK recession, highlighted last week by leading engineering group GKN. First-line industrials thus suffered not only from an initial markdown but also from small public selling which found buyers again extremely wary.

The Middle East reports later gave impetus to the equity downturn but few sectors encountered any significant selling pressure except for Electricals, in which 3½m shares of Electrocomponents were said to have been placed. Towards the close, a tentative rally began to develop as professional operators closed their bear positions and the FT Industrial Ordinary index, after registering a fall of 9.5 at 2.00 pm, settled 7.1 down on the day at 487.3.

Receding hopes about lower domestic interest rates and concern over rising U.S. Prime rates prompted early dullness in Gilt-edged. The losses were initially modest but a bout of nervous morning selling caught the market unawares and the falls were extended to a point or so. Thereafter, conditions remained sensitive and quotations stayed at the lower levels until recovering slightly during the after-hours' business. Selected longs then still showed losses of a point but the majority closed ½ above the lowest. Short-dated stocks ended around ⅜ down.

Yesterday saw 2,687 deals completed in the Traded Option market, making it the busiest session since July 4 when 2,874 were done. Following weekend Press comment, Lonrho attracted a good business and recorded 1,218 deals, while the hostilities in the Far-East helped to expand business in Consolidated Goldfields in which 805 contracts were arranged.

ORE, which made a successful debut last week, attracted fresh support and put on 10 to 135p [illegible] of 87p; the shares are dealt under Special Rule.

Insurances dull

Insurances started the week on a dull note. Among Lloyds brokers, Stewart Wrightson relinquished 8 to 232p in front of today's interim results, while C. E. Heath gave up 7 to 215p. Up 34 last week following the better-than-expected half-year results, Willis Faber touched 255p before closing a net 3 down at 257p.

Small selling and lack of support also made for dull conditions in the banking sector. Awaiting today's interim statement, Bank of Scotland drifted down 5 to 288p, after 286p.

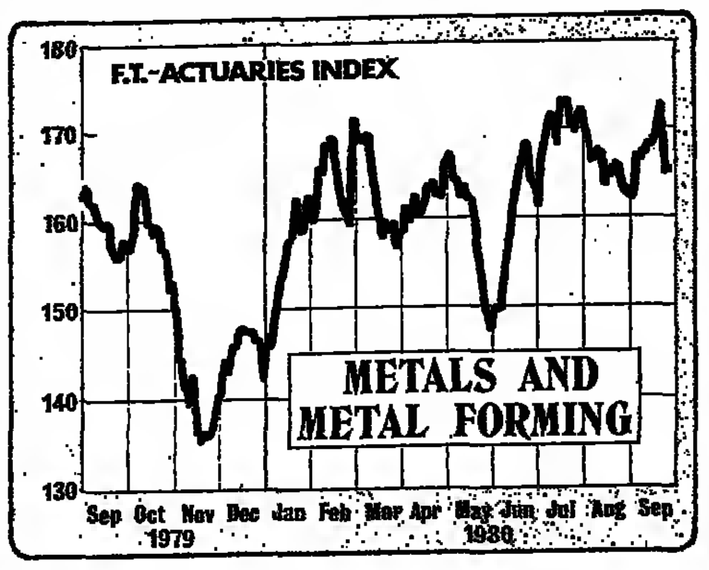
Scattered offerings were reflecting in a few modest losses in the Brewery sector. Still reflecting a broker's down-graded profits forecast, Bass drifted off 4 more to 233p.

The Building sector was featured by Tarmac which dropped 15 to 282p on interim profits below market estimates and the Board's cautious remarks on current trading. BPB came on offer and shed 8 to 236p and Ready Mixed Concrete gave up 4 to 195p. Blue Circle, however, finished just 2 cheaper at 352p. Contracting and Construction issues had Taylor Woodrow 10 down at 472p and Costain 4 off at 180p, but Tilbury Contracting added 4 to 217p ahead of tomorrow's half-yearly results. Allied Plant improved ½ to 33½p following favourable Press mention. Among Timbers, the withdrawal of speculative support left Montague L. Meyer 6 cheaper at 94p and Phoenix 8 lower at 102p. Dealings in Gough Cooper were suspended at 127p pending details of an approach to the company which may lead to a higher offer than the 120p per share cash bid from Starwest Investment.

Fisons' interim profits failed to match market estimates and the price dropped to 197p before the appearance of cheap buyers left the close 7 down on balance at 205p. ICI slipped to 350p before rallying well to close only a net 2 off at 354p.

Kean & Scott jump

In an otherwise friendless Stores sector, Kean and Scott jumped 33 to 65p on news of the bid approach from Hawley Leisure. Down 23 last week on profit-taking, Cornell Dresses, in which Mr. Asil Nadir has an option on a controlling interest, rallied 4 to 63p, after 64p. Leading issues mirrored the general dull trend as persistent small selling and lack of support left closing falls ranging to 6. House of Fraser, 134p, British Home, 143p, and Gussies "A" 464p, all closed that much easier. Grattan Warehouses gave up 2 to 50p ahead of tomorrow's interim results, while James Walker Goldsmith softened 2 to 77p on the results.



Electrical leaders rallied well after a fair amount of selling, GEC closing 6 off at 524p, after 518p, and Thorn EMI only 2 cheaper at 352p, after 348p. High-fliers in secondary issues were also on offer. Farnell reacted 10 to 350p and Ferranti 13 to 447p, while STC gave up 18 to 420p following comment on the preliminary results. Figures for the 15-month period left Emess Lighting 8 lower at 160p. Electrocomponents closed 14 lower at 700p after reports of a large line of shares being placed through the market.

Apart from Tubes, which closed around the day's worst with a fall of 8 at 222p, Engineering leaders generally ended the day a penny or so above the worst. GKN became a steadier market at 190p, down a penny after last week's drop of 33, while Hawker finished 2 easier at 226p, after 222p. Selected secondary issues encountered selling. Henry Sykes weakened 7 to 28p on sharply reduced half-yearly earnings and the passing of the interim dividend. RCF were noteworthy in smaller-priced issues for a fall of 2 at 13p.

Leading Foods were subjected to early selling which left Tate and Lyle 8 off at 158p and Unigate 3 cheaper at 102p. Against the trend, J. N. Nickolls (Vimto) put on 20 to 265p in a thin market reflecting recent Press comment.

Johnson Matthey good

A gloomy economic survey from the CBI, the Trade Secretary's week-end comment that he held out no hope of an immediate cut in interest rates and hostilities between Iraq and Iran combined to further undermine sentiment in the Miscellaneous Industrials following last Thursday's depressing interim statement from GKN. Boots, 245p, and Metal Box, 282p, lost 6 apiece, while Beecham dipped 5 to 154p as did Reed International, to 182p. Elsewhere, Letraset lost 6 to 116p on the chairman's profits warning, while Smiths Industries fell 13 to 240p on further consideration of the current plight of the motor industry. Beatson Clark fell 8 to 116p on the interim dividend omission and half-year profits slump. By way of contrast, Aeronautical and General Instruments jumped 45 to 610p following Press comment and Dundonian rose 7 to 68p for a similar reason. Reflecting a further sharp rise in the bullion price and continuing talk of a possible bid from Charter Consolidated, Johnson Matthey gained 12 more to a 1980 peak of 277p. Giltspur improved 4 to 81p on an investment recommendation, while William Baird revived with a rise of 6 to 178p.

GKN's poor interim performance continued to weigh heavily on Motor Components, Dowty shedding 10 to 231p and Associated Engineering 3 to 49p. Lucas fell 10 to 188p before closing a net 4 off at 190p. Garages had Lex Service on offer at 86p, also down 4.

Oils contrast

DRG's interim profits matched market estimates, but the chairman's cautious remarks on current trading caused some selling and the close was 3 cheaper at 91p.

Fading hopes of an early cut in Minimum Lending Rate caused some selling in Properties, but closing levels were sometimes above the worst. Land Securities finished 4 off at 382p, after 380p, but MEPC closed at the day's lowest of 241p, down 6. Berkeley Hambro, interim results on Thursday, eased 4 to 228p, while Samuel cheapened 5 to 136p and Stock Conversion 10 to 325p. Estates and General Investments shed a penny to 39p and Estates Property Investment 8 to 166p following the respective trading statements, but A. and J. Mucklow put on 5 to 213p on the satisfactory annual results and the proposed £6.35m rights issue.

News of the Iran/Iraq conflict coupled with the agreement by most of the OPEC countries to cut back crude oil production by 10 per cent prompted a lively interest in Oils. Trading was lively, with conditions particularly active in the late dealings when BP pushed ahead strongly helped by U.S. support to close 18 higher at 380p. Lasmo advanced 45 to 735p and Ultramar 18 to 400p, while Tricentrol closed 16 dearer at 356p. Among the more speculative exploration issues, CCP rose 11 to 268p and Cluff 15 to 340p, while Sceptre Resources closed 30 higher at 520p with the aid of favourable Press mention.

Lonrho stood out in Overseas Traders with a Press inspired rise of 5 to 110p.

Trusts trended easier but, reflecting the firmness in Oils, Atlantic Assets improved 4 to 229p and Viking Resources 5 to 135p. Among Financials, Fashion and General responded to Press mention with a gain of 30 to 265p, while Park Place improved 3 to 95p after the interim results and proposed one-for-six scrip issue.

Textiles were easier, where altered. Courtaulds gave up 2 to 58p and Sirdar a similar amount to 98p, while Carrington Viyella closed a shade off at 12½p after news of the resignation of the chairman, Mr. Derrick Hornby.

Among Tobaccos, Imps lost 3½ to 76½p, while Bats, awaiting tomorrow's interim figures, eased 8 to 258p.

Double-figure gains were commonplace among South African Industrials. Barlow Rand featured with a jump of 39 to 486p, while Tiger Oats added 30 to 650p. O. K. Bazaars, 670p, and Gold Fields Properties, 135p, advanced 20 and 15 respectively.

Still drawing strength from the doubled dividend and sharply higher preliminary profits, Assam Frontier gained 8 afresh to 243p in otherwise featureless Plantations.

Golds soar

South African Gold shares registered their biggest-ever one day rises and soared to record levels as the worsening situation between Iran and Iraq saw the bullion price surge $34 to $711.5 an ounce, its highest since early February.

Sustained heavy buying from all international centres found the market short of stock and led to unprecedented gains in Golds shares which led to a record leap in the Gold Mines index of 54.1 to a peak 558.9.

Among the heavyweights, "Amgold" showed a rise of £9 to £60, Western Holdings were £6 up at £49¾ while gains of £5 and more were common to Vaal Reefs, £45, West Driefontein, £53 and Western Deep, £36 ex rights.

The units issued to Welkom shareholders by Western Deep were quoted at £15¾ premium in nil paid form. In the medium-priced issues, Zandpan jumped 101 to 803p and Loraine 55 to 480p.

Financials shared in the boom with Anglo American Corporation 65 up at 870p, GFSA £3¼ to the good at £46¼ and De Beers 20 ahead at 520p. The London Financials were featured by Gold Fields which advanced 32 to 657p. RTZ closed 10 better at 485p and Charter 8 higher at 265p.

Platinums surged ahead with Impala prominent and finally 40 firmer at 520p while Rustenburg put on 22 to 370p.

Golds were outstanding in a generally firm Australian market. Gold Mines of Kalgoorlie ended 77 higher at 587p, Poseidon put on 47 to 387p and North Kalgurli 18 to 119p, all new 1980 highs.

In the lesser-known golds, Otter Exploration rose 6 to 80p and Allstate gained 10 to 120p. Mount Carrington, which has a silver prospect, put on 8 to 63p.

Peko-Wallsend, which recently announced a gold discovery at Tennant Creek, closed 30 up at 575p.

FINANCIAL TIMES STOCK INDICES

	Sept. 22	Sept. 19	Sept. 18	Sept. 17	Sept. 16	Sept. 15	A year ago
Government Secs.	70.24	70.75	71.19	70.61	70.47	71.75	72.09
Fixed Interest	71.84	72.09	71.97	71.78	71.71	71.77	72.63
Industrial Ord.	487.3	494.4	497.7	500.8	498.3	500.7	462.0
Gold Mines	556.9	504.8	487.7	487.2	464.7	470.5	316.4
Ord. Div. Yield	7.49	7.40	7.35	7.55	7.37	7.35	7.01
Earnings, Yld. % (full)	17.01	16.87	17.36	17.27	17.33	17.33	17.98
P/E Ratio (net) (*)	7.20	7.27	7.08	7.06	7.02	7.03	6.80
Total Bargains	21,816	19,648	20,603	19,974	21,197	22,304	15,231
Equity turnover £m.	—	116.27	150.16	130.54	94.90	129.36	96.15
Equity bargains total	—	14,660	17,158	16,099	12,474	17,607	10,952

10 am 490.8. 11 am 490.0. Noon 487.1. 1 pm 484.3. 2 pm 484.9. 3 pm 485.0.

Latest Index 01-246 8026.

*Nil=6.70.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1980 High	1980 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	72.54 (21/7)	63.88 (7/3)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	74.08 (14/7)	64.70 (19/3)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	508.0 (16/9)	406.9 (3/1)	558.6 (4/5/79)	49.4 (26/6/40)
Gold Mines	558.9 (22/9)	265.5 (2/4)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	Sept. 22	Sept. 19
—Daily		
Gilt Edged	102.5	98.6
Industrials	114.4	112.4
Speculative	114.8	41.9
Totals	84.7	75.9
5-day Avrge.		
Gilt Edged	104.3	111.0
Industrials	112.6	122.4
Speculative	41.3	39.5
Totals	83.9	86.1

NEW HIGHS AND LOWS FOR 1980

The following quotations quoted in the Share Information Service yesterday attained new Highs and Lows for 1980.

NEW HIGHS (136)

AMERICANS (9)
BUILDINGS (1)
ELECTRICALS (2)
ENGINEERING (2)
FOODS (1)
INDUSTRIALS (13)
PROPERTY (7)
TRUSTS (28)
OIL & GAS (8)
RUBBERS (1)
TEAS (1)
MINES (58)

NEW LOWS (54)

BRITISH FUNDS (1)
Exchqr. 12pc A '99
FOREIGN BONDS (1)
Chinese 5pc 1912
CANADIANS (1)
Trans. Canada Pipe
BUILDINGS (1)
Herwood Williams
CHEMICALS (2)
Fisons Wolstenholme
STORES (4)
Steinberg Vantona
ENGINEERING (14)
Alcan Aluminium Edbro
Boulton (Wm.) Sykes (Henry)
Brookhouse Tube Invs.
Butterfield Harvey Weir Group
FOODS (3)
Bishop's Stores Unigate
Robertson Foods
INDUSTRIALS (20)
[illegible]
MOTORS (3)
TEXTILES (2)
TRUSTS (1)
OVERSEAS TRADERS (1)
Jacks (Wm.)

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	1	87	7
Corpns. Dom. and Foreign Bonds	1	22	42
Industrials	105	504	780
Financial and Prop.	52	169	284
Oils	35	17	9
Plantations	3	6	14
Mines	85	7	54
Others	22	46	80
Totals	308	855	1,231

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon., Sept. 22, 1980 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Fri., Sept. 19 Index No.	Thurs., Sept. 18 Index No.	Wed., Sept. 17 Index No.	Tues., Sept. 16 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (171)	287.53	−1.5	15.29	5.72	7.95	291.81	296.16	294.89	292.63	237.15
2	Building Materials (28)	255.41	−1.7	18.10	6.67	6.55	259.77	262.06	260.52	259.79	231.87
3	Contracting, Construction (27)	428.07	−1.5	21.72	5.69	5.46	434.48	437.81	433.86	432.46	380.68
4	Electricals (17)	883.41	−1.5	11.08	3.02	11.10	894.43	905.16	897.19	889.42	608.80
5	Engineering Contractors (11)	345.47	−2.3	17.92	7.52	7.12	353.68	356.79	354.26	350.83	317.94
6	Mechanical Engineering (72)	179.22	−1.8	16.19	7.44	7.54	182.59	186.76	186.10	184.55	160.13
6	Metals and Metal Forming (16)	165.19	+0.1	17.68	9.82	7.04	165.10	170.80	173.04	170.48	155.88
11	CONSUMER GOODS (DURABLE) (49)	241.21	−1.5	15.38	5.22	8.88	244.87	250.27	248.33	247.33	234.00
12	Lt. Electronics, Radio, TV (14)	373.23	−1.3	12.76	3.70	11.89	378.25	386.68	381.59	379.93	335.77
13	Household Goods (14)	87.48	−0.8	27.50	11.25	4.58	88.15	88.72	89.32	89.54	141.23
14	Motors and Distributors (21)	97.61	−2.2	22.66	9.63	5.08	99.85	102.27	103.21	102.38	109.41
21	CONSUMER GOODS (NON DURABLES) (172)	242.15	−1.4	17.02	6.68	7.10	245.56	246.76	245.65	245.30	234.00
22	Breweries (14)	293.03	−0.8	15.51	6.29	7.52	295.45	297.09	297.58	296.55	283.93
23	Wines and Spirits (5)	314.64	−0.8	19.45	6.47	6.08	317.29	314.51	327.15	325.97	324.32
24	Entertainment, Catering (17)	347.24	−1.0	16.69	6.44	7.38	350.86	352.05	349.07	348.38	311.38
25	Food Manufacturers (22)	221.38	−1.2	18.13	6.85	6.50	223.96	226.47	224.73	222.83	207.17
26	Food Retailing (13)	394.54	−1.2	11.89	3.94	9.99	399.48	403.65	402.44	395.54	303.20
32	Newspapers, Publishing (12)	447.14	−0.3	21.01	7.15	6.37	448.56	448.82	442.43	438.41	421.22
33	Packaging and Paper (15)	127.09	−1.9	27.81	10.26	4.18	129.52	129.63	128.50	128.78	129.95
34	Stores (45)	239.13	−1.6	12.92	5.25	10.11	242.93	243.77	241.33	242.01	233.46
35	Textiles (21)	118.81	−1.3	26.37	12.97	4.62	120.35	120.80	120.59	120.47	151.17
36	Tobaccos (3)	225.64	−2.7	25.44	10.32	4.47	231.95	232.96	231.45	234.90	237.35
37	Toys and Games (5)	24.29	−1.5	9.26	15.70	24.98	24.67	24.67	24.86	25.04	68.11
41	OTHER GROUPS (99)	224.69	−1.2	15.70	6.95	7.63	227.43	228.82	227.26	226.08	202.72
42	Chemicals (16)	310.79	−0.8	17.45	7.82	6.70	313.29	314.73	312.78	312.18	284.43
43	Pharmaceutical Products (7)	237.63	−2.3	10.56	5.83	11.71	243.21	242.64	240.89	238.40	228.63
44	Office Equipment (6)	101.34	−2.3	20.16	8.19	5.79	103.76	104.97	103.26	103.57	118.91
45	Shipping (10)	577.43	−0.5	13.21	6.32	9.25	580.50	591.54	591.88	588.81	436.26
46	Miscellaneous (60)	280.73	−1.0	16.51	6.64	7.37	283.53	285.97	283.91	281.94	239.14
49	INDUSTRIAL GROUP (492)	256.96	−1.4	16.13	6.37	7.55	260.55	262.94	261.57	260.46	234.44
51	Oils (9)	840.08	+3.4	28.81	6.29	3.86	812.17	806.67	795.05	805.24	659.29
59	500 SHARE INDEX	303.16	−0.4	18.86	6.36	6.26	304.31	306.09	303.92	303.69	268.69
61	FINANCIAL GROUP (118)	251.55	−1.3	—	5.20	—	254.90	256.71	253.96	251.83	192.62
62	Banks (6)	250.29	−0.9	40.82	6.72	2.93	252.60	252.72	251.22	251.33	222.85
63	Discount Houses (10)	299.96	−0.5	—	5.91	—	301.45	300.84	295.68	296.89	250.13
64	Hire Purchase (5)	222.95	−2.1	11.13	4.53	12.13	227.62	231.18	230.08	230.36	171.74
65	Insurance (Life) (10)	265.20	−0.7	—	4.96	—	267.20	269.93	263.18	256.26	161.39
66	Insurance (Composite) (9)	178.48	−2.0	—	6.36	—	182.08	183.32	181.51	178.69	127.97
67	Insurance Brokers (9)	348.70	−2.8	13.28	6.64	10.31	358.68	366.44	353.22	342.84	276.63
68	Merchant Banks (12)	146.54	−1.1	—	4.89	—	148.23	148.14	146.81	146.72	100.98
69	Property (45)	462.93	−1.3	3.07	2.57	45.49	468.96	473.78	471.05	469.73	358.37
70	Miscellaneous (12)	152.52	−0.6	15.50	6.08	8.18	153.49	154.51	153.57	153.91	120.12
71	Investment Trusts (109)	281.95	−0.3	—	5.16	—	282.92	283.85	279.97	277.43	215.29
81	Mining Finance (3)	274.69	+3.4	12.77	4.74	9.34	265.64	262.56	266.42	257.02	129.63
91	Overseas Traders (20)	457.90	+0.8	10.98	6.45	10.97	454.22	455.39	451.86	446.95	340.42
99	ALL SHARE INDEX (750)	295.25	−0.4	—	6.02	—	296.50	298.09	295.83	294.65	247.50

FIXED INTEREST PRICE INDICES

	British Government	Mon., Sept. 22	Day's change %	xd adj. today	xd adj. 1980 to date
1	Under 5 years	106.44	−0.34	—	7.62
2	5-15 years	112.21	−0.72	0.27	9.33
3	Over 15 years	118.36	−0.80	—	9.56
4	Irredeemables	131.47	−0.97	—	9.02
5	All stocks	112.10	−0.63	0.08	8.70

FIXED INTEREST YIELDS British Govt. Av. Gross Red.

			Mon., Sept. 22	Fri., Sept. 19	Year ago (approx.)
1	Low	5 years	11.72	11.60	10.20
2	Coupons	15 years	11.71	11.60	10.77
3		25 years	11.71	11.60	11.34
4	Medium	5 years	13.15	12.96	12.26
5	Coupons	15 years	13.26	13.14	12.39
6		25 years	13.06	12.95	12.52
7	High	5 years	13.30	13.12	12.67
8	Coupons	15 years	13.56	13.43	12.86
9		25 years	13.28	13.15	12.74
10	Irredeemables		11.26	11.15	11.12

		Mon., Sept. 22 Index No.	Yield %	Friday Sept. 19	Thurs. Sept. 18	Wed. Sept. 17	Tues. Sept. 16	Mon. Sept. 15	Friday Sept. 12	Thurs. Sept. 11	Year ago (approx)
15	20-yr. Red. Deb & Loans (15)	54.02	†13.72	54.04	55.01	53.47	53.44	53.47	53.32	53.26	58.18
16	Investment Trust Prefs. (15)	51.79	13.07	61.79	51.77	61.68	51.68	61.68	61.33	61.33	50.57
17	Coml. and Indl. Prefs. (20)	68.24	13.17	68.24	67.89	67.92	67.92	67.92	68.07	68.12	68.95

† Redemption yield. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 2[illegible]

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1980 high	1980 low
Cons. Gold Fields	25p	12	657	+32	657	385
De Beers Defd.	R0.05	10	520	+20	553	368
Tarmac	50p	8	282	−15	298	183
Ultramar	25p	8	400	+18	400	206
Vaal Reefs	R0.50	8	£45	+ 5⅞	£45	£20⅞
Western Deep	R2	8	£36xr	+ 5¼	£36	£14
GEC	25p	7	524	− 8	540	326
ICI	£1	7	354	− 2	402	348
KCA Intl.	25p	7	124½	+ 3½	124½	41
Land Securities	50p	7	382	− 4	397	237
Premier Cons.	5p	7	94	+ 4	99	36
Racal Electronics	25p	7	316	− 5	341	175
BP	25p	6	380	+18	412	320
Courtaulds	25p	6	58	− 2	87	58
Tube Invs.	£1	6	222	− 8	312	222

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Sept. 22	Oct. 3	Dec. 18	Dec. 29
Oct. 6	Oct. 17	Jan. 8	Jan. 19
Oct. 20	Oct. 31	Jan. 22	Feb. 2

For rate indications see end of Share Information Service

Stocks to attract money for the call included First National Finance, Montague L. Meyer, Wm. Press, Raglan Property, Woodside, Acrow A, Laganvale, BSR, Airfix, Dunlop, De Beers, Premier Consolidated, Plessey, John Brown, Leslie Gold, KCA, Charterhall, Oil Search, Fidelity Radio and Lonrho. Puts were arranged in Caffyns, Dunlop and Ladbroke, while double options were transacted in Lonrho, Premier Consolidated, Mysou, Montague L. Meyer and Dunlop.

RECENT ISSUES

EQUITIES

Issue Price p‡	Amount Paid Up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price p‡	+ or −	Div. P. or Amount	Times Covered	Gross Yield	P/E Ratio
§60	F.P.	—	115	01	††BakerElectrnics10p	104	−1	b3.85	2.0	5.3	11.0
¶¶	F.P.	—	280	215	Brint Invs.	280	+6	—	—	—	—
¶¶	F.P.	—	366	352	BP Restricted Trans.	366xd	+4	17.5	4.7	6.8	3.4
02	F.P.	8/8	91	72	Charterh'se Petrol'm	90	+3	b1.09	4.0	1.7	20.6
160	F.P.	—	154	133	††Marinex 10p	148	+5	—	—	—	—
67	F.P.	—	150	92	††ORE	135	+10	—	—	—	—
§57	F.P.	—	85	73	††Utd. Electronic 20p	80	−2	b1.57	2.2	2.8	22.8

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price £	+ or −
¶¶	F.P.	10/10	114p	107p	Foseco Minsep 8½% Cnv Red Cum 2nd Prf	114p	.....
¶¶	F.P.	10/10	110	102	Do 10% Conv Uns Ln 1995	110	.....
¶	F.P.	30/10	98⅛	97	Newcastle & Gateshead Water 8¼% RdP	98⅛	.....
‖	Nil	31/10	17pm	11pm	Queens Moat 10½% Cons Uns Ln '89-91	12pm	−1
‖	Nil	—	15½pm	15½pm	Western Deep 12% Uns Deb. '88-95	15½pm	.....
¶	£10	20/11	12¼	11¾	York Waterworks 9½% Red. Pref. 1985	11¾	−⅛

"RIGHTS" OFFERS

Issue Price p‡	Amount Paid up	Latest Renunc. Date ●	Latest Renunc. Date ■	1980 High	1980 Low	Stock	Closing price p‡	+ or −
300	F.P.	22/9	17/10	356pm	344pm	Blue Circle	356pm	.....
105	Nil	6/10	7/11	10pm	12pm	British Vita	12pm	−1
A$350	Nil	—	—	158pm	140pm	CRA	168pm	+8
30	Nil	29/9	20/10	11pm	2pm	Laganvale Estates 10p	9pm	−2
240	Nil	6/10	14/11	120pm	120pm	M. L. Hldgs.	120pm	−5
120	F.P.	15/8	26/9	164	144	McKay Secs.	164	.....
220	F.P.	6/9	14/11	500	286	Mercantile House	290	−3
14	F.P.	5/9	6/10	21	16	Moorgate Mercantile	20	.....
c.$46	Nil	—	—	36pm	35pm	Royal Bank of Canada	36pm	.....
13	F.P.	10/9	10/10	15	15	Spencer Gears	15	.....

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *g* Assumed dividend and yield. *u* Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. p‡ Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 participating pref. shares and 1 ord. share at R3.50 per unit. † Dealings under special rule.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Amer. Gth. Tst.	53.2	57.2	-0.1	2.56
Abbey Capital(z)	43.4	46.9	.....	5.22
Abbey General(z)	54.4	58.8	.....	5.94
Abbey Gilt & F.I. Tst.	112.4	118.3	-0.9	11.56
Abbey Income	34.8	37.6	-0.2	9.20
Abbey W'Wide Bd Tst.	92.7	98.1	-0.6	6.83
Abbey Inv. Tst. Fnd.	47.9	51.8xd	-0.1	4.90
Equitas Prog. Tst.(z)	82.6	89.3	.....	4.83

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt Trust	91.6	96.5	-0.9	12.68

Allied Hambro Ltd. (a)(g)(z)
Hambro Hse., Hutton, Brentwood, Essex. 01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	89.2	93.3xd	.....	5.95
Brit. Inds. Fund	78.1	83.6	.....	6.22
Growth & Income	48.9	52.3	.....	5.32
Elect. & Ind. Dev.	43.6	46.7	.....	5.25
Allied Capital	93.7	100.3	.....	4.44
Hambro Fund	134.3	143.7	.....	6.04
Hambro Acc. Fund	172.1	184.1	.....	4.89
Income Funds				
High Yield Fd.	65.0	69.6xd	.....	9.91
High Income	77.4	82.8xd	.....	7.87
A. H. Eq. Inc.	45.3	48.5	.....	7.48
Govt. Secs.	25.6	27.3	.....	11.65
International Funds				
International	33.0	35.3	.....	3.06
Pacific Fund	56.2	60.1	.....	2.05
Secs. Of America	67.3	72.0	.....	2.50
Specialist Funds				
Smaller Co.'s Fd.	52.3	56.0	.....	4.55
2nd Smlr. Co's Fd.	61.1	65.4xd	.....	4.59
Recovery Sits.	129.6	138.7	.....	6.02
Met. Min. & C'dty.	71.6	76.6	.....	3.85
Overseas Earnings	68.0	72.8	.....	5.29
Exempt Funds♦				
Income Exempt	—	50.0	.....	8.50
Far East Exempt	62.1	64.6	.....	2.32
Smaller Co. Exempt	81.9	86.0	.....	4.65
U.S.A. Exempt	135.2	139.8xd	.....	2.92

Anderson Unit Trust Managers Ltd.
158, Fenchurch St., EC3M 6AA. 623 9231

Anderson U.T.	67.4	72.3	.....	4.68

Ansbacher Unit Mngt. Co. Ltd.
1, Noble St., EC2V 7JA. 01-623 6376

Inc. Monthly Fund	140.0	150.0xd	.....	12.50

Arbuthnot Securities Ltd. (a)(c)
37, Queen St., London, EC4R 1BY. 01-236 5281

Capital†	32.1	[illegible]	+1.4	—
Commodity***	76.4	[illegible]	.....	2.58
(Accumulation)	149.1	[illegible]	.....	2.58
(10% Withdrawal)	75.4	[illegible]	.....	2.58
Eastern & Internatl.†	34.6	[illegible]	+1.8	1.00
(6% Withdrawal)	24.3	[illegible]	+1.1	1.00
Extra Income	98.1	[illegible]	-0.4	10.18
(Accumulation)	106.7	[illegible]	-0.4	10.18
Finance & Property*	24.6	[illegible]	.....	3.07
Foreign††	122.0	[illegible]	.....	1.00
Giants	42.8	[illegible]	.....	3.15

Confederation Funds Mgt. Ltd. (a)
50, Chancery Lane, WC2A 1NE. 01-242 0282

Growth Fund	68.9	72.5	.....	4.12

For Cosmopolitan see Choularton Fund Managers.

Craigmount Unit Tst. Mgrs. Ltd. (z)
Bucklersbury, London EC4N 8ED. 01-248 4984

High Income	36.6	40.0	.....	11.30
North American	55.6	60.0xd	.....	2.86
Canadian Exempt*	62.3	65.8	.....	3.59
Canadian Trust	62.0	67.0	.....	2.69
Mid Mount High Inc.*	48.4	51.2xd	.....	9.43
Recovery	58.7	63.8	.....	6.77
Gilt Trust	44.7	46.7xd	.....	12.39

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	35.5	38.3	+0.2	0.98
Cres. Internat'l.	69.6	75.1	-0.5	2.32
Cres. High. Dist.	42.3	45.6	-0.1	10.69
Cres. Reserves	51.0	55.0	-0.1	5.45
Cres. Tokyo	23.2	25.0xd	-0.4	0.90

Dartington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	24.1	25.5	.....	12.10

Discretionary Unit Fund Managers
Bilbao Hse., 36/38 New Broad St, EC2M 1NU. 01-638 4485

Disc. Inc. Sept. 12	225.5	240.5	.....	5.48

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	17.3	19.1	.....	7.60
Gt. Winchester O'seas	23.8	26.4	.....	4.22

Emson & Dudley Tst. Mngmnt. Ltd.
28b Albemarle St., W1. 01-493 3211

Emson Dudley Tst.	82.1	88.3	.....	6.00

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	86.3	90.8xd	-0.3	4.87

Fidelity International Management Ltd.
Fidelity International Management Ltd.(z)

American	30.1	32.4	.....	1.01
Gilt + Fixed Int.	25.9	27.30	.....	12.02
Growth + Income	31.3	33.7	.....	7.21
Special Sits.	36.2	39.0xd	.....	2.31

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l.	35.6	38.3	.....	1.61
Accum. Units	43.8	47.1	.....	1.61
J. Finlay High Income	34.0	36.6xd	.....	10.44
J. Finlay Euro.Fin.	21.6	23.2xd	.....	3.88
Accum. Units	27.0	29.0xd	.....	3.88
J. Finlay Fd. In Tst.	38.8	41.7	.....	5.82
Accum. Units	47.9	51.5	.....	5.82

Prices on Sept. 17. Next dealing Sept. 24.

Framlington Unit Mgt. Ltd. (a)
64, London Wall, EC2M 5NQ. 01-628 5181

Amer. & Gen. Sept. 15	65.6	70.0xd	.....	0.94
Am. T'around Sept. 15	61.6	65.8	.....	1.76
Capital Tst.	57.6	61.6xd	.....	5.46
(Accum. Units)	60.2	64.2	.....	5.46
Extra Income Trust	49.8	53.2	.....	10.25
Income Tst.	39.8	42.4	.....	7.98
Int. Growth Fd.	55.4	59.2	.....	1.73
(Accum. Units)	59.0	63.0	.....	1.73

Friends' Provdt. Trust Mgrs.♥
Pixham End, Dorking. 0306 5055

Friends Prov. Units	59.5	63.6	-0.1	4.38
Do. Accum.	83.9	89.1	-0.1	4.38

Funds In Court*
Public Trustee, Kingsway, WC2. 01-405 4300

M & G Group (y)(c)(z)
Three Quays, Tower Hill, EC3R 6BQ. 01-626 4588
See also Stock Exchange Dealings.

American	58.9	62.4	+0.5	2.16
(Accum. Units)	62.5	66.3	+0.6	2.16
American Recovery	61.0	64.7	+0.5	2.04
(Accum. Units)	62.2	65.9	+0.5	2.04
Australasian	118.9	128.9	+2.7	0.65
(Accum. Units)	124.1	134.6	+2.9	0.65
Commodity	130.9	139.4xd	-0.3	3.11
(Accum. Units)	152.1	162.0	-0.3	3.11
Compound Growth	165.6	179.7	-0.3	3.62
Conversion Growth	113.8	121.2	+0.9	2.59
Conversion Inc.	76.2	81.2xd	+0.1	9.37
Dividend	136.5	146.7	-0.8	9.00
(Accum. Units)	292.5	314.4	-1.8	9.00
European	65.9	70.2	+0.1	3.49

Scottish Equitable Fnd. Mgrs. Ltd.♥
28 St. Andrews Sq. Edinburgh 031-556 9101

Income Units	62.8	66.8	.....	5.25
Accum. Units	78.2	83.2	.....	5.25

Dealing day Wednesday.
For Sebag see Carr, Sebag Unit Trust Managers.

Security Selection Ltd.
Regis Hse., King William St., EC4. 01-623 4951

Unvl Gth Tst Acc.	34.8	37.1	.....	8.09
Unvl Gth Tst Inc.	26.8	28.6	.....	8.09

Stewart Unit Tst. Managers Ltd.(a)
45, Charlotte Sq., Edinburgh. 031-226 3271
†Stewart American Fund

Standard Units	77.4	82.4	+0.6	1.49

INSURANCE PROPERTY BONDS

Charterhouse Magna Gp.♥
Stephenson Hse., Brunel Centre, Bletchley, Milton Keynes. 0908 641272

Chrthse Energy	58.5	.....	—
Magna Bld. Soc.	156.5	.....	—
Magna Managed	171.2	.....	—

Chieftain Assurance Funds
11 New Street, EC2M 4TP. 01-283 3933

Managed Growth	170.19	179.15	+2.00	2.03
Managed Income	84.92	89.39	-0.86	—
International (z)	114.91	120.96	+5.54	—
High Income	85.47	89.97	-0.82	—
Income & Growth	82.39	86.73	-0.84	—
Basic Resources	175.24	184.46	+1.91	—
American (z)	126.70	133.37	+1.22	—
Far Eastern (z)	116.31	122.43	+1.47	—

Legal & General (Unit Assur.) Ltd.
Kingswood House, Kingswood, Tadworth, Surrey KT20 6EU. Burgh Heath 53456

Cash Initial	105.9	111.5	+0.1	—
Do. Accum.	115.9	122.1	+0.2	—
Equity Initial	168.2	177.1	.....	—
Do. Accum.	184.2	193.9	+0.1	—
Fixed Initial	150.2	158.2	-1.2	—
Do. Accum.	164.4	173.1	-1.5	—
Intl. Initial	133.5	140.6	+0.5	—
Do. Accum.	143.9	151.5	+0.5	—
Managed Initial	157.1	165.4	-0.2	—
Do. Accum.	171.9	181.0	-0.2	—
Property Initial	125.2	131.8	+0.1	—
Do. Accum.	137.1	144.4	+0.1	—

Legal & General (Unit Pensions) Ltd.

Exempt Cash Init.	119.3	125.6	.....	—

OFFSHORE & OVERSEAS FUNDS

Continued on page 30

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CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

1980 High	Low	Stock	Price £	+ or −	Int.	Red.
91	82¼	Aust. 5½pc '81-82	88½xd	......	6.20	13.89
85¼	72½	Do. 6pc 1981-83	83¾	−¼	7.31	13.03
67	58	N.Z. 7¼pc 1988-92	65½	−¼	11.33	13.40
81½	72	Do. 7½pc '83-86	80½	−¼	9.54	12.87
96¼	88	Sth. Africa 9½pc '79-81	96¼	......	10.25	16.81
160	95	S. Rhod. 2½pc Non-Ass.	96	......	—	30.81
169	133	Do. 6pc '78-81 N.-As.	139	......	—	32.15

LOANS

Public Board and Ind.

Financial

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CANADIANS

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Australian

1980 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
26	21	Acmex 50c	26	+4	—	—	—
24	12	ACM 20c	19	......	—	—	—
138	52½	Bond Corp.	138	......	h02.8c	2.2	1.0
156	88	Bougainville	Kina	137	+13	[illegible]	1.0	9.7
*347	221	CRA 50c	320xr	......	t015c	2.1	8.2
25	11½	Canada Northwest	19½	+½	—	—	—
42	8	Carr Boyd 20c	40	......	—	—	—
£38	£15¼	Central Pacific	£37½	+½	—	—	—
41	17	Cultus Pacific N.L.	29	−1	—	—	—

Tins

Copper

Miscellaneous

1980 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
180	78½	Anglo-Dominion	145	......	—	—	—
97	62	Barymin	60	......	—	—	—
17	12	Burma Mines 10p	13	......	0.62	1.1	6.9
262	53	Colby Res. Corp.	240	......	—	—	—
502	285	Cons. Murch. 10c.	390	+40	[illegible]	1.8	14.7
180	80	††Hemerdon 10c.	95	+5	—	—	—
585	325	Northgate C$1	540	......	—	—	—
491	327	R.T.Z.	485	+10	t16.0	3.2	4.8
46	16	Robert Mines	41	......	—	—	—
112	91	††SPO Minerals 10p	95	......	—	—	—
58	26	Sabina Inds. C$1.	44	−1	—	—	—
51	31	††SWCM 10p	41	+1	—	—	—
650	411	Tara Exptn. $1	575	......	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- †† Unlisted security.
- # Price at time of suspension.
- § Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ‡ Regional price.
- ‖ No par value.

‡§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1980-81. R Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

OPTIONS

3-month Call Rates

Stock	Rate	Stock	Rate	Stock	Rate
F.N.F.C.	2¼	R.H.M.	4½	Premier	13
Gen. Accident	21	Rank Org.	15	Shell	35
Gen. Electric	30	Reed Intnl.	16	Tricentrol	40
Glaxo	18	Sears	5	Ultramar	35
Grand Met.	12	Tesco	6		
G.U.S. 'A'	34	Thorn	23	Mines	
Guardian	23	Trust Houses	12	Charter Cons.	16
G.K.N.	20	Tube Invest.	23	Cons. Gold	40
Hawker Sidd	15	Unilever	40	Lonrho	8
House of Fraser	16	U.D.T.	5½	Rio T. Zinc	35

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 30

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FINANCIAL TIMES
Tuesday September 23 1980

Public spending steady while GDP falls by 2%

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

CENTRAL and local government spending has so far held up to about the recent record levels, while the brunt of the deepening recession has fallen on private industry and on public corporations.

Central Statistical Office figures published yesterday show that economic activity, as measured by real Gross Domestic Product, fell by 1½ to 2 per cent between the first and second quarters of this year.

The figures highlight the contrast between the experience of the public and the market sectors. Industrial production fell by 3 per cent in the period and services output also dropped, but there was a decline of only ½ per cent in general government consumption.

The latter consists of current spending on goods and services, notably manpower, and excludes both fixed investment, which has been falling sharply, and transfer payments, such as social security benefits, which have been rising rapidly.

Over the long term, general Government consumption has risen only fairly slowly. But in the last year it has been more resilient than other forms of activity. For example, the current spending of central and local government in the first half of this year was 1.1 per cent higher than in the same period of 1979 while Gross Domestic Product was 1.6 per cent lower.

These figures are likely to reinforce the complaint of businessmen that private industry is having to face most of the squeeze, while the public sector is relatively unaffected. The main contrast has been in the size of pay rises and the Government is now clearly determined to contain public sector wage rises in order to meet its borrowing and monetary goals.

Despite the pressures on industry, the gross trading profits of industrial and commercial companies seem to have been more resilient than suggested by some recent pessimistic forecasts. After adjusting for the rise in stock values caused by inflation, such profits rose by £361m to £6.46bn between the first and second quarters.

This rise probably presents too favourable a position since the total includes the rapidly rising profits of companies producing North Sea oil, and is before deduction of a rising figure for interest payments on borrowings.

Consequently, the underlying profitability of manufacturing industry is likely to have deteriorated considerably this year, as has been suggested by recent results from companies such as GKN.

Even after the end of the British Steel strike, the gross trading surplus of public corporations dropped by a fifth between the first and second quarters to £1.25bn.

The figures also show consumer spending dropped by 2½ per cent in the quarter from its earlier high level though it was still only just below last year's average figure. Fixed investment fell by 2 per cent in the period.

Tax warning, Page 8

ECONOMIC ACTIVITY

		Gross Domestic Product average estimate (1975=100)	Industrial and commercial companies, trading profits, net of stock appreciation £m.
1977		105.1	16,532
1978		108.4	19,422
1979		109.9	21,755
1979	1st	108.2	4,473
	2nd	111.5	5,568
	3rd	109.4	5,671
	4th	110.6	5,843
1980	1st	109.7	6,103
	2nd	108.0	6,464

All figures seasonally adjusted.
Source: Central Statistical Office.

Consumers forecast to escape worst of deepening recession

BY PETER RIDDELL

MOST leading British forecasters believe that the recession will last for at least a further 12 months and that any recovery in output towards the end of 1981 will be modest.

A survey of the main official and private-sector forecasting bodies shows broad agreement about the nature of the recession. Industry will be hit far more than in the recession of 1974-75, but consumers will feel hardly any squeeze.

Total output, as measured by real Gross Domestic Product, is projected on average to decline by 2.5 per cent this year, compared with 1979, and by 0.4 per cent next year.

Strong pound

The forecasters have, in general, become much gloomier about the outlook than at the end of last year when they still expected the recession to be shorter and shallower than that of the mid-1970s.

The present more pessimistic view reflects the extent of the squeeze being applied by the strong pound and by the loss of competitiveness in the past two years.

These same factors are benefiting the consumer. Average living standards, as measured by real personal disposable income, are expected, at worst, to be only slightly below current record levels following the 15 per cent jump between 1977 and 1979.

Comfort

Consequently, consumer spending may show little change overall over 1980 and 1981 as a whole, in contrast to the 3½ per cent fall between 1973 and 1975.

There is also some comfort for the Government in the projection that any overshoot on public sector borrowing in 1980-1981 may be only £1bn or so above the forecast level of £8½bn.

The forecasters are generally confident that the 12-month rate of retail price inflation will fall over the next year from the current figure of 16.3 per cent, though there is disagreement about the extent of any slowdown, with a range of between 9¾ and 14½ per cent projected for the end of 1981.

Details, Page 9

THE LEX COLUMN

Basic strengths at Tarmac

Index fell 7.1 to 487.3

Much better weather conditions in the early months of the year have helped Tarmac to a 56 per cent increase in interim profits at £11.7m before tax and an exceptional share dealing profit of £1.8m. But the group is unlikely to improve much on last year's strong performance during the more important summer period, so the increase for the year as a whole is going to be a lot more sedate—from £38m to perhaps £43m.

Quarry products and building products are Tarmac's most important businesses, accounting respectively for a half and a fifth of total profits. Both should show reasonable gains over the year. Motorway repair work is helping to offset flat demand for new road construction, and the general level of activity seems to be holding up rather better than expected earlier in the year. Margins in these two main divisions are being maintained.

Profits on UK construction should also be a bit better this year, although Tarmac is still making very poor returns on its annual sales of around £300m or so. But the housebuilding side is having a more difficult time. The group hopes to sell nearly 4,000 homes again this year, but to achieve this it is having to put more money into marketing and working capital. This will be a big factor in pushing up year-end borrowings by perhaps £20m or so to around £55m—nothing to worry about with shareholders' funds standing at £130m, but adding quite a bit to finance costs. Down 15p to 282p yesterday, the shares are supported by a well covered prospective yield of around 7½ per cent.

Fisons

Fisons' pre-tax profits of £7.5m in the first half of 1979 were widely regarded as aberrantly low. They would have been £4m higher but for strikes, and until the onset of recession in April this year the company seemed to be expecting to recoup all these lost earnings this time. Just how much has gone wrong is evident from the 1980 interim figures, which show only £5.3m pre-tax, a good deal less than six months' R and D spending.

Finance costs are up 70 per cent to £5.8m, which suggests that working capital has got out of hand, and indeed the management has begun "vigorous action" to cut back. High interest rates have made farmers reluctant to make forward purchases of fertilisers and agrochemicals, so that this side of Fisons' business has lost the ground regained in the second half of 1979.

The scientific equipment business has been badly hit by public spending cuts, and is having to export on very low margins to maintain volume. The pharmaceutical side now accounts for 60 per cent of profits, despite the continuing problems over pricing, but even here stocks are too high and there is some short-time working.

Unless the background changes dramatically for the better Fisons is likely to make little more than £10m this year, which on the likely higher tax charge would not be enough to cover the dividend. In current cost terms there will probably be a loss, but the group may be afraid that a dividend cut would leave Fisons vulnerable to a bid (although the difficulty of disposing of the fertiliser division would be a formidable deterrent). On this basis the shares, down 7p yesterday at 205p, yield 11.9 per cent.

Company profits

Early this year independent forecasters like the London Business School and the National Institute were projecting a disastrous collapse in the profitability of the company sector. The share of trading profits in national income, net of stock appreciation and excluding North Sea oil and gas, was forecast to fall from a normal level of some 10 per cent to no more than about 3 per cent. According to the Central Statistical Office, however, this collapse is just not happening. Not only has the CSO revised upwards its estimates for past profits, but the first calculation for the second quarter of 1980 published yesterday (admittedly including North Sea oil) shows no great change from the experience of recent quarters.

On the assumption that oil trading profits were probably near £2bn in the April-June quarter, industrial and commercial companies generated net trading profits of some £5.8bn in the first half of 1980 against £8.2bn in the same period of 1979. This does represent a slight easing from 10.5 to just under 10 per cent of gross domestic product, but it is scarcely the nosedive prophesied.

One crucial point in explaining the puzzle is that the national income definition of trading profits leaves out the little matter of interest payments. The CSO regards these as a share of profits rather than a cost, a view which companies will hardly sympathise with as 16 per cent bank base rates bite deeply into their profit and loss accounts.

It is also relevant that the present squeeze is a selective one, concentrated on the manufacturing sector. And with stock appreciation sharply lower in the second quarter (reflecting the slowdown in private sector inflation) the liquidity squeeze began to ease a little. In the April-June period net bank borrowing by industrial and commercial companies eased to £0.75bn from £2.5bn in January-March. Generally it looks as though companies have taken quite effective measures to protect themselves; but if these measures include steps like dividend cuts the stock market may find it hard to tell the good news from the bad.

Big changes planned by BP Chemicals

By Ray Dafter, Energy Editor

MAJOR CHANGES are planned for BP Chemicals, British Petroleum's loss-making chemicals subsidiary. They will include further cuts in staff, a move away from production of bulk chemicals, and development of overseas business.

The company, which over the past few weeks has announced more than 1,000 redundancies, 700 of them in South Wales, among its 16,000-strong workforce, has been hit badly by the recession in the chemicals industry.

Its plants are being operated at about 55 per cent of capacity and only technical constraints prevent many production rates being lowered further.

Earlier this month BP Chemicals announced an overall operating loss of £2m for the first half of this year. The deficit on UK operations was £34m.

Mr. Len Burchell, retiring managing director, says in a message to staff today that the group is facing its "biggest-ever challenge." All operations are being examined on a product-by-product basis.

BP would give no details of its plans, but low-volume specialised chemicals are distributed in the plastics, pharmaceutical and agrochemical markets.

Mr. Burchell says that concentration on bulk chemicals was the company's original charter from its British Petroleum oil parent, which was looking for a captive outlet for naphtha.

This policy had proved to be a weakness in today's circumstances. "That weakness can only be cured by a substantial change of company shape," he says.

Vulnerable

As a remedial step, BP Chemicals is planning to modify its ethylene plant at Grangemouth, Scotland, to use less naphtha, as a raw material, and a higher proportion of heavy gas feedstock.

It was also possible, Mr. Burchel says, to increase the use of gas at the cracker at Wilton, Teesside, which is jointly owned with Imperial Chemicals Industries. To these ends, BP Chemicals hopes to gain access to gas carried in the proposed North Sea gas-gathering pipeline.

Mr. Burchell says the company is also "vulnerable" because 65 per cent of its sales are in the UK and thus tied to the domestic economy. The chemical industry say this as a hint that BP Chemicals would be following its recent European acquisitions with a further expansion of overseas interests.

On redundancies, Mr. Burchell says that "numbers must be reduced substantially," and there is an overriding need to bring BP Chemicals out of the recession as a "sound, progressive and leaner company."

It is expected that substantial cuts are to be made in the company's London headquarters, which currently accommodates 700 staff.

New fuel investment, Page 8

U.S. industrial group makes 'acceptable' offer for Fodens

BY JOHN GRIFFITHS

RECEIVERS at Fodens, the Cheshire lorry manufacturer, said yesterday they had had an "acceptable" offer for the company as a going concern.

It has been made by PACCAR Inc., of Seattle, an industrial group whose interests include the manufacture of Kenworth and Peterbilt heavy-duty trucks. These occupy a similar niche at the premium end of the North American lorry market as Fodens in the UK.

Fodens is expected to continue to build its existing range of lorries for the UK and Europe, but in addition Kenworth models are likely to be manufactured at the plant.

No details were given of the size of the offer. But when Sir Kenneth Cork, the Cork Gully Receiver, moved into Fodens' Sandbach plant in July, he indicated that at least £30m was being sought.

Sir Kenneth said yesterday the offer was subject to contract, "but I do not believe there will be any hitches." The deal is expected to be completed in about three weeks. PACCAR issued a brief statement in Seattle saying only that it was negotiating the purchase.

Main attraction

While Peterbilt trucks are sold exclusively in North America, Kenworth models are exported to about 70 countries, mostly in the Middle East, Africa and Australasia.

PACCAR had been looking for a base from which to expand into Europe for some time. Before Fodens came on the market it had been investigating European sites for assembly from U.S.-produced kits.

PACCAR is believed to have been attracted to Fodens primarily because of its modern assembly facilities, which are being use at only 25 per cent of their annual single-shift capacity of about 5,000 units a year.

On a two-shift system, capacity could be almost doubled to 10,000 units a year and the site has room for further expansion.

PACCAR's offer was welcomed last night by the 2,000 workforce. Mr. Richard Phillips, Fodens' general manager of marketing, described it as offering "an outstanding solution" to Fodens' problems.

Apart from trucks, PACCAR's interests include the manufacture of railway and mining equipment. Last year it reported net profits of about $120m (£50m).

Tax change on traded options

By Ian Rodger

THE Inland Revenue has made a significant tax concession to the traded options market.

The writer (or seller) of a traded option, which gives the buyer right to purchase shares at an agreed price at a later date, will now be able to claim capital gains tax relief on the cost of a subsequent purchase of another option to close the initial position.

Mr. Nicholas Goodison, Stock Exchange chairman, said: "This change, together with the action already taken by the Government in the Finance Act, clears the way for traded options to become a more important force in the UK stock market."

The Stock Exchange has modified its regulations on option writing after several months of talks with the Inland Revenue, which has confirmed the tax interpretation.

The 1980 Finance Act abolished the provision whereby a traded option was treated as a wasting asset for capital gains tax purposes. As a result of this change, the full acquisition cost is allowable in computing the gain or loss which arises on disposal.

The change applied to options abandoned or otherwise disposed of after April 5, 1980.

World accounting norms sought

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

THE International Accounting Standards Committee, the body which seeks to set international corporate accounting standards, has offered to co-operate with the United Nations in setting accounting and disclosure rules for multinational companies.

The committee, which is backed by the professional accounting bodies of most Western countries, is planning a similar overture to the Organisation for Economic Co-operation and Development, the third international body which has sought to repair the standard of multinational companies' accounts in recent years.

The committee's moves come as the United Nations is drafting a code of conduct on disclosure for multinationals. They follow a series of contacts over the past year between all the bodies, during which it has become clear that each favours closer liaison. The committee's hope is that some form of co-operation with the international political bodies will improve its own standing, while removing any possible causes of conflict.

A report from the committee to the UN's ad hoc Intergovernmental Group on International Standards of Accounting and Disclosure suggests that the group may wish to review the committee's work on a regular basis. In turn, the committee offers to submit periodic progress reports to the UN body.

In a separate move, the committee has asked member bodies to make formal approaches to 10 leading multinationals in each country requesting that they make reference to international accounting standards in their annual reports and accounts. Few multinationals do this, and the committee is concerned that initial support from stock exchanges around the world has produced little tangible improvement in companies' accounts.

Ford warns of import threat to EEC car jobs

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

INCREASES in car imports—mostly from Japan—by the Nine EEC countries could cost 133,000 motor industry jobs by 1985, according to a report submitted yesterday to the European Parliament's External Trade Committee.

Indirect employment would suffer by at least an equal number, making 260,000 jobs in total, it was claimed yesterday by Ford of Europe, which compiled the report.

"This poor outlook for jobs will also be worsened by declining European imports and productivity improvements. In total, 560,000 jobs and job opportunities could be lost in the European auto-sector by 1985."

Ford suggested that half this would be caused by a rise in non-European imports. By 1985, car imports into Europe could total 3m, up 2m from 1979. Traditional European manufacturers will be supplying only 8.4m cars or less than three quarters of total European sales — down from 90 per cent last year.

The report maintained that the Japanese would be mainly responsible because by 1985 some 1.9m Japanese cars would be diverted towards Western Europe, so long as access was not limited, compared with 786,000 last year.

The Japanese question took up most of the three-and-a-half hour debate at yesterday's meeting of the Committee. The underlying objective, however, was to find ways for the EEC to develop an agreed policy for the motor industry.

The European-based car makers want, among other things, European Community funds to be made available at low interest rates for research and development projects. The industry cannot generate sufficient profits to carry out essential projects, claimed Mr. Ian Fraser, of the liaison committee of European car manufacturers.

The European motor industry repesentatives were warned by Sir Fred Catherwood, the committee's chairman, that they would have to make a powerful case, based on sound and very detailed arguments, before the committee could recommend to the European Parliament that it should go to the Japanese and ask for changes to existing trading agreements.

Continued from Page 1

Gulf war

Gulf. London underwriters in insurance companies and at Lloyd's are planning to increase insurance premiums on cargoes in ships travelling to Iran by 300 per cnt.

Earlier this year, insurance companies quadrupled the war rate from 10p for each £100 of the ships' value travelling to Iran.

British ships are known to be in the area of the fighting. A P and O cargo ship, the Strathfife, 17,350 tonnes, was reported to have been hit by bullets over the weekend.

Continued from Page 1

Massey

will be invested. An additional U.S.$100m is in sight. There remains a gap of U.S.$200m with only one apparent means of filling it—involvement by governments."

Massey needs the equity finance to offset U.S.$1.72bn of debt whose interest costs have led to operating losses and whose bank covenants will now almost inevitably be breached on November 1.

Weather

UK TODAY

CLOUDY start with showers, but brightening later.

London, S.E. and N. England, E. Midlands
Rain at first, dry later. Max. 18C (64F).

S. and W. England, Wales, S.W. Scotland, Ulster
Showers, heavy in places. Max. 18C (64F).

N.E. Scotland, Orkney, Shetland
Occasional rain, fog patches. Max. 14C (57F).

Rest of Scotland
Rain, clearing from west. Max. 15C (59F).

Outlook: Dry in south-east, showers in north-west. Temperatures normal.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	R	25	77	L. Plms.	C	24	75
Algiers	C	27	81	Lisbon	F	22	72
Amsdm.	C	20	68	Locarno	R	17	63
Athens	S	27	81	London	C	18	64
Barclna.	S	25	77	Luxmbg.	C	18	64
Beirut	S	30	86	Luxor	S	36	97
Belfast	F	15	59	Madrid	S	21	70
Belgrd.	S	28	82	Majorca	S	27	81
Berlin	S	20	68	Malaga	S	25	77
Biarritz	S	22	72	Malta	S	27	81
Bmghm.	F	17	63	Mchstr.	C	17	63
Blackp'l	R	15	59	Milan	F	23	73
Bordx.	F	22	72	Moscow	F	13	55
Boulgn.	F	18	66	Munich	C	16	61
Bristol	F	19	66	Naples	S	27	81
Brussels	F	21	70	Nwcstl.	S	19	66
Budpst.	S	24	75	Nice	C	23	73
Cardiff	C	17	63	Nicosia	S	30	86
Csabca.	S	22	72	Oporto	C	20	68
Cologne	C	19	66	Oslo	C	12	54
Cpnhgn.	C	17	63	Paris	F	20	68
Corfu	S	28	82	Prague	C	14	57
Dublin	C	14	57	Reyklvk.	R	12	54
Dbrvnk.	S	25	77	Rhodes	S	26	79
Ednbgh.	F	18	64	Rome	S	27	81
Faro	S	27	81	Salzb'g	F	22	72
Florence	F	28	82	Stckhm.	C	14	57
Frankf't	C	22	72	Strasb'g	C	18	64
Funchal	F	22	72	Tangier	S	24	75
Geneva	S	20	68	Tel Aviv	S	30	86
Gibrltr.	S	25	77	Tenerife	F	18	66
Glasgow	F	18	64	Tunis	S	31	88
G'msey	F	17	63	Valencia	F	28	82
Helsinki	S	13	55	Venice	F	23	73
Innsbr'k	S	17	63	Vienna	S	20	68
I.o.Man	C	16	61	Warsaw	S	21	70
Istanbul	S	25	77	Zurich	S	20	68
Jersey	F	17	63				

C—Cloudy. F—Fair. R—Rain. S—Sunny

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